EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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ERITREA
Guerrillas prepare for independence
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World News

Gorbachev proposes Helsinki summit

President Mikhail Gorbachev, the Soviet leader, responded to the upheaval in Eastern Europe with a call for a summit meeting of all 35 nations involved in the Helsinki process to be brought forward to 1990, in effect to lay the foundations for his vision of a "common European home." Page 16

Czechs open border
Czechoslovakia is to open its southern border with Austria - dismantling another section of the Iron Curtain between East and West. Page 16

Beirut standoff
The military standoff in Beirut continued with the Israeli and French governments warning Syria against attacking the Christian enclave of General Michel Aoun. Page 2

UK secret funds row
The UK Government was plunged into controversy over its sale of the Rover Group to British Aerospace, as it was forced to admit that it had made secret financial concessions in the deal to BAe. Page 16; Background, Page 7

Delors EC advice
Enlarging the EC much beyond its present 12 members had to entail an increase in supranational decision-making, Mr Jacques Delors, the Commission president, said. Page 3

Slav tensions grow
Psychological warfare between Serbia, Yugoslavia's most populous republic, and the small, prosperous Western-orientated republic of Slovenia is escalating. Page 3

US evacuation
Dependents of US embassy officials in El Salvador were evacuated. Page 2

Irish bar attack
A Catholic bar owner and one of his customers were killed when gunmen burst into a Northern Ireland pub; the Loyalist sectarian Ulster Volunteer Force claimed responsibility.

Aldington award
Lord Aldington was awarded record libel damages of £1.5m by a High Court jury over accusations that he had been a war criminal. The award was made against Count Nikolai Tolstoy, an historian, and Mr Nigel Watts, a property developer. Page 7

SA murder arrests
A former narcotics detective suspected of involvement in the murder of Dr David Webster, an anti-apartheid activist, and Dr Anton Lubowski, a Swapo member, was arrested by SA police. Page 2

Lee wins libel case
A Singapore court found the Far Eastern Economic Review magazine guilty of libelling Mr Lee Kuan Yew, the Prime Minister, and ordered it to pay S$230,000 ($118,009) damages. Page 2

E Berlin regrets '68
East Germany expressed regret for its part in the 1968 Warsaw Pact invasion of Czechoslovakia.

Port action writs
Greenpeace, the environmental group, may face legal action from companies harmed by its six hour blockade of Amsterdam port.

Manila coup reports
Philippine army rebels were reported to have occupied part of a Manila air base in an apparent coup attempt against President Corazon Aquino.

Picasso for $49m
Pablo Picasso's Les Noces de Pierrette sold for $48.9m to a collector bidding via satellite from Tokyo.

Business Summary

Nestlé links with General Mills to take on Kellogg

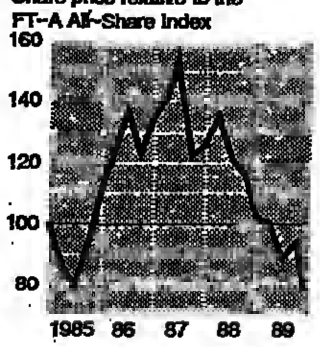
NESTLE, Swiss foods group, and General Mills of the US are joining forces for an attack on the world market for breakfast cereals dominated by US group Kellogg. Page 17

THE FT-SE 100 ended up 21.1 points at 2276.8 points, due to some signs of selected Far Eastern interest in the UK equities market; turnover also improved but remained within recent averages. London Stock Exchange, Page 31

BANKING; The parent banks of Scandinavian Bank, 15th largest UK bank by asset size, surprised the London market by making a cash offer to convert it into a privately-owned group. Page 17

BPB Industries, Europe's biggest plasterboard manufacturer, said it was considering asking the EC to investigate allegations that one of its two main UK competitors has been dumping imported plasterboard. Page 17

BPB
Share price relative to the FT-A All-Share Index



SAATCHI & Saatchi, troubled communications group, is believed to be negotiating the sale of Gartner Group, one of its larger US consultancy companies, to Cap Gemini Sogeti, French computer services company, for $100m. Page 17

MANNESMANN, West German engineering group which has a 5 per cent shareholding in TI Group of the UK, announced plans to buy a majority stake in Krauss-Maffei, German armaments group. Page 18

DEFENCE: France and West Germany signed a DM1.9bn ($1.06bn) joint development contract for a series of combat helicopters to equip their armies at the end of the 1990s. Page 3

CO OP, troubled West German retailer which drew back from the brink of bankruptcy in September, expects a reduced operating loss this year and a recovery in 1990. Page 13

NORWAY may join the European Monetary System (EMS) even if its fellow members of the European Free Trade Association decide not to do so. Page 3

AEROSPACE: The four top Western aero engine manufacturers have applied to participate in a Japanese-sponsored supersonic engine development programme. Page 6

MITSUBISHI Electric, Japanese electric machinery maker, reported a 65 per cent increase in consolidated net profit to Y35.7bn ($250.5m) as domestic economic growth fuelled profits. Page 21

STORA, Swedish paper, packaging and building materials group, is to buy the outstanding 75 per cent of De forenede Patirfadrikker (DfP), Danish fine paper group, for DKr510m ($70m). Page 18

TRADE: The EC and the US diverged sharply on how to curb government subsidies that distort competition in international trade. Page 6

INSTITUT Merieux, Rhône-Poulenc pharmaceuticals subsidiary, has almost certainly won the battle for Connaught BioSciences, Canadian vaccine producer. Page 20

NOTE IMPLICATES RED ARMY FRACTION ● KOHL PAYS EMOTIONAL TRIBUTE

Deutsche Bank chief murdered

By Andrew Fisher in Frankfurt and David Marsh in Bonn

MR ALFRED HERRHAUSEN, the chief executive of Deutsche Bank, was brutally murdered yesterday in a bomb attack which raised the spectre of terrorist violence just as the two Germanys are going through the most hopeful period in their post-war history.

The head of West Germany's largest commercial bank was killed by a remotely-controlled bomb as he was being driven to work at 8:30 in the morning in his grey armour-plated Mercedes through a quiet, leafy street in the spa town of Bad Homburg near Frankfurt.

The death of Mr Herrhausen, aged 59, one of Germany's most prominent business personalities, shocked bankers, politicians, and industrialists across Europe.

Daimler-Benz, the industrial group of which Mr Herrhausen was supervisory board chairman, reacted with "deep consternation."

Mr Edzard Reuter, Daimler's chief executive, said the dreadful crime "was clearly directed against our whole political, social, and economic system."

It was a tragic blow for the Frankfurt-based Deutsche Bank in a week when it had pulled off its biggest ever investment coup by agreeing the $950m takeover of Morgan Grenfell, the UK merchant bank. The British bank said yesterday that the deal would go ahead.

The murder was the latest in a long series of killings of German politicians, officials, and businessmen that has lasted since the days of the Baader-Meinhof terrorist gang in the 1970s.

The last fatal attacks, however, were three years ago, the victims being Mr Karl-Heinz Beckurts, a director of Siemens, the German electronics group, and Mr Gerold von Braunmühl, a top Foreign Ministry official.

Alfred Herrhausen, chief executive of West Germany's largest commercial bank, who was murdered yesterday near Frankfurt

Police believe that the killing was the work of the extreme left-wing terrorist group Red Army Fraction (RAF). They found a note near the scene, with the inscription reading Kommando Wolfgang Beer and the star and Kalashnikov rifle insignia of the RAF.

Beer died in a car crash nine years ago and was the brother of Henning Beer, sought by the police since 1985 as a suspected RAF member. Police later said they had found a white Lancia car which is thought to be the bombers' escape vehicle.

Mr Gerhard Boeden head of the West German domestic anti-terrorist agency, said on West German television last night that Mr Herrhausen knew for "a long time" that he was one of the most endangered people in the Federal Republic. However, he denied a magazine report that there had been a recent "concrete warning" of an assassination attempt on the banker.

Mr Boeden said he did not exclude that yesterday's murder had been planned in loose co-operation with the Italian Red Brigades terrorist group.

Mr Herrhausen's killers had carefully planned their assault. The bomb exploded precisely by the side of the car as it drove over, leaving his 62-year-old-driver alive, although badly injured. The bodyguards in the accompanying two security cars were unhurt.

After the attack, the wrecked car lay slewed across Seedammweg, the road where the bomb exploded, between Bad Homburg's thermal baths and a car park.

From behind the police cordon, the bonnet and boot covers could be seen pointing macabrely to the sky. The radio aerial was intact.

Mr Wolfgang Schaeuble, the West German Interior Minister, interrupted a parliamentary debate on the 1990 budget to announce the murder to a shocked Bundestag.

Politicians and officials in Bonn were numbed by the news of Mr Herrhausen's murder, which dramatically punctured the mood of optimism in the capital after the last few weeks of dramatic events in eastern Europe.

Chancellor Helmut Kohl, who had known Mr Herrhausen for a decade, paid an emotional tribute to the murdered man after hearing of the assassination on the way to hold a speech to Düsseldorf industrialists.

The audience stood in silence as the Chancellor praised Mr Herrhausen's accomplishments – especially on building economic bridges to eastern Europe – and underlined the value of his "friendship and advice."

Mr Kohl later cancelled all appointments and flew to console Mr Herrhausen's widow.

Mr Karl Otto Pöhl, president of the Bundesbank, the German central bank, said that Deutsche Bank and Germany had lost "a leading personality from whom much was still to be expected."

The murder drew statements of dismay from all the Bonn parties, including the Greens ecology grouping who had been prone to see Mr Herrhausen and the Deutsche Bank as symbols of uncontrolled capitalist power.

Mr Hans-Jochen Vogel, leader of the Social Democrats, condemned the "cowardly murder," while Mr Otto Lambsdorff, chairman of the Free Democrats, called it "a barbarous and brutal attack."

Mr John Craven, the chairman of Morgan Grenfell, said yesterday that he was deeply shocked by the murder but he stressed that the top management of Deutsche Bank was a partnership and that this would ensure that there was continuity of policy.

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Man of vision and philosophy who became target

By Andrew Fisher in Frankfurt

ALFRED HERRHAUSEN became a terrorist target because he embodied the financial and industrial might of Europe's biggest economy.

As Germany's most prominent banker, his influence reached deep into the political, business and social life of his country, and beyond. His readiness to speak out loudly and provocatively on subjects as various as the power of banks, the Third World and German reunification ensured that he earned both the respect and hatred - that go with power.

In his last conversation with the press the day before he died, he gave a wide-ranging summary of his views on all these as well as the future of Deutsche Bank, of which he had been sole chief executive since May, 1988.

He was forthright on the touchy subject of whether the two Germanys should be reunited. "Yes, it is desirable and inevitable," he said.

He recalled a reply he had once given on British television: "History will never allow a great nation – notwithstanding the (Nazi) terrors of 12 years – to live forever without a national identity."

At times, it seemed the banking stage was too small for Mr Herrhausen. In his desire to express himself deeply and philosophically on all manner of issues, including ethical ones, he sometimes strayed far from the business of his own bank, a tendency which ruffled the feathers of some colleagues.

Like most German business people, Mr Herrhausen kept his private life very much to himself. In line with his serious approach to public issues, he once replied to a question about his leisure activities: "When I have the time, I like to read books on philosophy." When young, he exchanged letters with Herman Hesse, the author of Steppenwolf.

Associates say he could relax and laugh almost youthfully when talking to students or trainees. He avoided social events, especially grand balls, though he did go to concerts. He kept fit by cycling, also skiing and, for the sake of his 11-year-old daughter even surfing on holiday.

His working style was highly disciplined. He drank little, ate sparingly, and never smoked. Thus he looked younger than his 59 years.

"Thank God I can always sleep. I have very good peace of mind," he once said. In past months, however, responsibility seemed to weigh heavier on him, giving his still youthful appearance a slightly more grizzled aspect.

Mr Herrhausen's broad-brush approach to life was also reflected in the way he guided West Germany's biggest Bank.

"Strategy begins with a vision," he said speaking shortly after Deutsche Bank had agreed its biggest deal ever, its £950m takeover of Morgan Grenfell.

The Morgan Grenfell deal, which he announced in London on Monday, was aimed at putting more muscle into the West German institution's investment banking, where styles are very different and more freewheeling than in the commercial banking sector.

"We need the Anglo-Saxon culture of international banking," he said.

"That is why we are glad and congratulate ourselves on the acquisition of Morgan Grenfell. It is not a contradiction (in cultures), it is an enrichment."

Continued on Page 16

Ferranti sues former deputy chairman, associates for $198m

By Hugo Dixon and Richard Donkin in London

FERRANTI International Signal yesterday sued Mr James Guerin, its former deputy chairman, and three of his associates for $198.5m which it says was fraudulently siphoned from some of its subsidiaries.

A writ issued in the High Court in London identified the claim as part of $443.6m paid by ISC Technologies and ISC London between February 1984 and July 1989 for three allegedly fictitious arms contracts. The contracts were revealed to be missile systems deals with the United Arab Emirates, Pakistan and China.

The three executives named in the writ with Mr Guerin are Mr Robert Shireman, Mr Lawrence Resch and Mr Wayne Radcliffe. They are being sued together with five Panamanian companies, all dissolved, which fulfilled the role of middle men: Sestri Associated, Technology Associates International, Elverton, Navarino Development Corporation and Lerwick Holdings.

Mr Shireman, who was finance director of ISC Technologies, left the Ferranti group in July. Mr Resch and Mr Radcliffe are former executives of ISC.

Ferranti made clear that the writ against Mr Guerin, his associates and the Panamanian companies was likely to be only the beginning of a legal battle to try to recoup money it says it has lost as a result of fraud.

The writ details for the first time the customers, suppliers and products involved in the allegedly phoney contracts. The named contracts are:

● Supplying missile system technology, a technical facility and a test range between 1986 and 1989 to Pakistan. The contract was codenamed KP for Khyber Pass.

● Sale of Hakim air-to-ground missiles to the General Headquarters of the United Arab Emirates in 1984. In addition to this allegedly fake contract, ISC apparently had a genuine contract to supply Hakim missiles to the UAE.

● Supply of Equipment and Technology to Norinco, the China North Industries Corporation. This contract is described as for AGM equipment, which is believed to mean air-to-ground missiles.

Also named in the writ but not being sued is Bosque Rosa, an unidentified company.

In addition to the restitution of the $198.5m, Ferranti is claiming damages against the defendants for alleged fraudulent misrepresentations over a six-year period to 1989.

The executives have also been asked to account for any profits made with the funds they are said to have abstracted, to divulge the names of anyone else involved in what Ferranti describes as a dishonest and frandulent scheme and to pay compound interest.

The writ says that, although the five Panamaniam companies have been dissolved, they can still be sued under Panamanian law.

MARKETS

STERLING
New York lunchtime:
$1.5697
London:
$1.568 (1.567)
DM2.7925 (same)
FFr9.525 (9.53)
SFr2.495 (2.4875)
Y224.25 (223.25)
£ index 86.4 (86.0)

GOLD
New York: Comex Feb
$417.5 (415.5)
London:
$410.0 (412.25)

N SEA OIL (Argus)
Brent 15-day Jan
$18.425 (+0.375)

Chief price changes yesterday: Page 17

DOLLAR
New York lunchtime:
DM1.7795
FFr6.0665
SFr1.5905
Y142.825
London:
DM1.7795 (1.7825)
FFr6.07 (6.081)
SFr1.5905 (1.588)
Y142.90 (142.50)
$ index 68.9 (same)
Tokyo close: Y142.90

US LUNCHTIME RATES
Fed Funds 8½%
3-mo Treasury Bills:
yield: 7.835%
Long Bond:
102 15/32
yield: 7.901%

STOCK INDICES
FT-SE 100:
2,276.8 (+21.2)
FT Ordinary:
1,805.6 (+23.9)
FT-A All-Share:
1,138.67 (+0.8%)
New York lunchtime:
DJ Ind. Av.
2,700.09 (+11.31)
S&P Comp
344.75 (+1.15)
Tokyo: Nikkei
37,268.79 (+247.33)

LONDON MONEY
3-month Interbank:
closing 15 7/32% (same)
Liffe long gilt future:
Dec 90 1/32 (same)

MARKET REPORTS: CURRENCIES, Page 38; BONDS, Pages 22, 23; COMMODITIES, Page 30; EQUITIES, Pages 31 (London), 39 (World)

CONTENTS

One ballot UK Tory MPs think the party cannot win

If Sir Anthony Meyer's candidature for the leadership of the UK Conservative Party garners enough abstainers to indicate a party split, its MPs can be forgiven for believing it to be one ballot the party cannot win
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OVERSEAS NEWS

Magazine ordered to pay Lee damages

A SINGAPORE court yesterday found the Far Eastern Economic Review magazine guilty of libelling Mr Lee Kuan Yew, the Prime Minister, and ordered it to pay S$230,000 (£75,500) damages, Reuter writes from Singapore.

Justice L P Thean said Mr Lee was entitled to aggravated damages against the Hong Kong-based publication because of "express malice" by the defendants and the conduct of Mr Geoffrey Robertson, their lawyer, during the trial.

The case stemmed from an article in December 1987 dealing with arrests earlier that year of 22 people, mostly lay church workers, for alleged involvement in a Marxist plot to subvert the Government. Mr Lee had sued over the article, which he said suggested dishonourable and discreditable conduct on his part.

The magazine had argued the article was true and based on information supplied by Fr Edgar D'Souza, a Roman Catholic priest. Justice Thean said the defendants assumed Fr D'Souza's information was true, but it was not. "No attempt was made... to verify the facts or matters provided by D'Souza," he added.

The judge said Mr Derek Davis, the Review editor, had shown in earlier articles "a state of mind which was wholly antagonistic towards the plaintiff and his government."

"The material from D'Souza about six months later provided him with an opportunity to publish an article derogatory of and denigrating to the plaintiff and his government."

No apology or retraction had been published by the Review, and Mr Robertson's conduct during cross-examination of Mr Lee "exacerbated the hurt to the plaintiff's feelings and the damage to his reputation", Justice Thean said in awarding aggravated damages.

Singapore has long had a stormy relationship with the Review and the magazine's circulation in the island state is now severely restricted over allegations that it was interfering in domestic politics.

Singapore has also restricted circulation of the Asian Wall Street Journal, like the Review part-owned by America's Dow Jones and Company.

The Singapore correspondent of AP-Dow Jones news agency was recently denied an extention of his work visa. His designated successor was also denied a visa, AP-Dow Jones said.

Taipei's old guard forced to face new issues

Taiwan votes tomorrow in an election which has altered the political landscape, writes John Elliott

LOUDSPEAKER trucks are blaring their political messages round cities and villages. A stripper is standing as a Labour Party candidate pledged to "fight fists with breasts". Taipei's NT$240bn (£5.9bn) casino-style stock market is behaving like a yo-yo. There have been alleged political shootings and rumours of millions of dollars being withdrawn from banks to bribe voters.

Taiwan's first significant, though far from fully democratic, elections are under way in an open style which was not possible till martial law was lifted two years ago. Tomorrow a 10m-strong electorate will vote for a total of 722 candidates competing for 293 national, provincial and city assemblies, and 21 mayoral posts.

The results will not change the Government, headed by President Lee Teng-hui, and the ruling Kuomintang party will continue its 40-year-long hold on power. But the political scene in Taiwan has been irretrievably changed during the campaign and the main opposition grouping, the Democratic Progressive Party, is emerging as a significant political force.

Now the Kuomintang Government will have to act with more firmness of touch than it has shown in recent months in order to accommodate a growing debate about democratic

Taipei's stock market unexpectedly plunged by 2.4 per cent yesterday when the local weighted index fell from 9630 to 9402 after peaking at 9826 in early trading. This was despite a government announcement that a controversial shares transaction tax, which helped push the market down earlier in the week, would be recommended to the Legislative Yuan at a low level of 0.6 per cent.

reform and freedom of speech. The debate has built up during the campaign around a more impractical issue of whether Taiwan should unilaterally declare independence from China. This could grow into a problem if the Government resists political reforms.

"The issue of independence is being raised as a means to obtain democracy, which is what Taiwan needs," says Mr Antoinio Chiang, a leading political analyst and magazine editor. "All the talk to the past weeks about independence stems from frustration with the existing political structure."

Taiwan already enjoys de facto independence and the strengths which come from being the world's 13th largest trading nation with an economy growing at over 7 per cent a year. Annual per capita income for the 20m population is around US$7,500 (£4,800) and foreign exchange reserves exceed $73bn.

But Peking still claims that Taiwan is a province of the mainland and in the past few days it has implicitly repeated threats to invade if independence were declared.

Even more important, Taiwan's old Kuomintang leaders, who fled from Peking in 1947, still believe they are the rightful rulers of all China, and the Government insists that it will one day reunite the country under a non-Communist administration.

To help perpetuate this myth, old Kuomintang leaders have insisted on staying in power, dominating government institutions. In the Legislative Yuan, part of parliament, these ailing elders (or "old thieves" as Mr Tsai Shih-Yuan, deputy secretary general of the DPP, calls them) have about 146 seats; only 101 are up for election tomorrow.

Even the 101 are not fully democratic because 18 of them are for occupational constituencies which up to now have been Kuomintang-dominated. A further 29 seats are reserved for Kuomintang-appointed Chinese living overseas. This brings the parliament's total to 276, of which the DPP does not expect to fill more than 18 to 20 seats after the elections if it achieves its target of achieving 30 to 35 per cent of all the votes cast.

The Government wants the elders to retire but they have not done so. Their intransigence has made people more impatient with the lack of full democracy. This has polarised around the independence issue, which has emerged as the most talked about subject in the election campaign, even though only a small minority of the population is actively interested.

It has been raised as a campaign slogan by a small New Country Alliance wing of the DPP, despite sedition clauses under the constitution which ban public discussion of the issue.

Ironically it has also been raised by Kuomintang speakers at meetings, partly to deflect attention from other issues such as the country's lack of democracy, and partly to undermine the DPP.

The implicit suggestion is that the DPP, by harbouring its independence wing, is damaging public order and therefore is somehow responsible for escalating crime and violence, which itself is the most important real issue in the election campaign.

Nevertheless Taiwan is moving further towards democracy than any other Chinese country. "No other Confucian society has gone so far, and the DPP is the first loyal opposition party, in a western sense, in a Chinese society," says Mr Chiang.

Protesters outside the US mission in Taipei object to the arrival of Representative Stephen Solarz to observe tomorrow's poll in Taiwan

MILITARY STANDOFF CONTINUES IN LEBANON

France and Israel warn Syria

By Lara Marlowe in Beirut

THE military standoff in Beirut continued yesterday with the Israeli and French governments warning Syria against attacking the Christian enclave of General Michel Aoun.

Gen Aoun still refuses to accept the Arab League peace plan agreed by Lebanese MPs in Taif, Saudi Arabia, because it allows Syrian troops to stay in Beirut for the next two years and in eastern Lebanon for longer. Ironically, his rejection of the accord has prompted a massive redeployment of Syrian troops and armour around the capital this week.

From the Lebanese army barracks at Ablah in the eastern Bekaa valley, Mr Elias Hrawi, the Syrian-backed Christian President who replaced the assassinated Mr Rene Moawad, promised to use all possible means to evict Gen Aoun from the presidential palace at Baabda.

"You have killed the president of the republic and attacked the property of parliamentary deputies," Mr Hrawi said. "These attacks will not go unpunished."

Like the US, France has asked Mr Hrawi and his Syrian allies to refrain from using violence to oust Gen Aoun. But unlike the US, the French government has stopped short of asking Gen Aoun to accept the consequences of Taif and step down.

The French warship Orage is reported to have left Toulon for Lebanese waters, and Dr Selim al-Hoss, Mr Hrawi's Prime Minister, accused France of "blatant intervention" on behalf of hardline Maronite Christians.

Gen Aoun's invitation to France to mediate a compromise between himself and Syria is being interpreted here as a sign that both he and his French protectors would now accept autonomy for the Christian region under Gen Aoun's control, renouncing the long-held goal of driving all Syrian troops from Lebanon.

In the speech in which he promised to defend the Christian enclave against a Syrian attack, Mr Samir Geagea, the leader of the Christian Phalange militia, did not once mention Gen Aoun by name. He has not so much rallied to the general as remained constant to the Phalange's *raison d'être* - preserving "every inch of territory in the eastern region, every citizen, house, institution, mother, child and farmer".

If the military build-up results in a Syrian onslaught, Gen Aoun would like it to take place during the December 2-3 Bush-Gorbachev summit which is to be held on two warships in the Mediterranean.

Rabin emphasises right to protect vital interests

By Hugh Carnegy in Jerusalem

MR YITZHAK RABIN, the Israeli Defence Minister, told MPs yesterday that Israel was monitoring particularly "the Syrian intention to carry out a show of force".

Mr Rabin said Israel sought to avoid military intervention itself, but reserved "the freedom of action and response if our vital interests are endangered".

While clearly concerned that an attempt to oust Gen Aoun by force could upset the recent balance of forces in Lebanon, where Israel occupies a "security zone" to protect its northern border, Israeli officials deny that they are prepared to come to the aid of the Christian leader.

Israel Radio reported yesterday that Gen Aoun had been in frequent contact in recent days with Gen Antoine Lahad, the leader of Israel's local surrogate force in southern Lebanon, to seek Israeli help in preventing a Syrian attack. But an Israeli defence official said: "Obviously Aoun would try to create the impression that Israel would intervene. Israel is not about to be drawn into that."

Maj Gen Avihu Bin-Nun, the Israeli Air Force chief, did, however, warn against "unwanted confrontations" between Israeli fighter aircraft, which regularly patrol the Lebanese skies, and Syrian jets which he said had in recent days broken their custom of staying out of the area.

Israel's command of the air, coupled with its control of southern Lebanon, is a key element in the unwritten understanding with Damascus by which Israel has tolerated Syria's political and military dominance over most of Lebanon since withdrawing most of its own forces in 1985.

SA police hold man over killing of activists

By Jim Jones in Johannesburg

THE South African police have arrested a former narcotics detective suspected of involvement in the murder in Johannesburg on May 1 1989 of Dr David Webster, an anti-apartheid activist, and of Dr Anton Lubowski, a leading member of Swapo, in Windhoek on September 12.

The man, Mr Ferdi Barnard, had been on parole after serving part of a six-year sentence for killing a police suspect and was detained some weeks ago. His arrest was made public after his father had unsuccessfully applied to the Pretoria supreme court for his release. The police requested his name be kept secret.

Mr Barnard's arrest and that of Mr Donald Acheson, an Irishman detained in Namibia in September on suspicion of killing Dr Lubowski, appear to corroborate speculation that the police have uncovered an *organisation which hired killers* to assassinate left-wingers. Neither Mr Acheson nor Mr Barnard appears to be particularly politically aware and neither is believed to have planned the killings.

Late yesterday it was not clear whether the rumoured assassination group was connected to the alleged police death squads disclosed two weeks ago by self-confessed former members of the squads. On Tuesday evening Mr Tim McNally, the attorney general of the Orange Free State, completed his investigations into the death squad allegations and passed his report to President F W de Klerk.

Mr de Klerk is under considerable pressure to appoint an independent judicial commission of inquiry into the death squad allegations and he has promised investigations will be pursued vigorously.

In recent years South Africa's security forces have become something of a law unto themselves, particularly as the influence of security officials flourished during Mr P W Botha's presidency.

However, Mr de Klerk is gradually reducing their power and he this week announced the dismantling of the National Security Management System (NSMS), a shadowy bureaucracy headed by selected cabinet members and senior members of the police and military which had acquired responsibility for managing large parts of the country.

The downgrading of the security officials' influence is designed to restore line controls to responsible cabinet ministers and is seen as a precursor to the lifting of the 43-month state of emergency.

Most representative black *South Africans, including* ANC leader Nelson Mandela, who Mr de Klerk hopes will take part in negotiations on the country'e future, have demanded the lifting of the emergency as a pre-condition for talks.

Boat-people return to Vietnam

By Michael Murray in Hong Kong

A GROUP of 130 Vietnamese boat-people flew back to Hanoi from Hong Kong yesterday, the sixth group to return home under the colony's voluntary repatriation programme.

A total of 630 boat-people have now voluntarily gone back to Vietnam since the first flight took place in March. But with 57,000 Vietnamese in Hong Kong the authorities intend to press on with a forcible repatriation programme which has strong support among the Hong Kong public.

An additional 1,000 Vietnamese have already volunteered to return under a United Nations High Commission for Refugees programme, and Hong Kong officials hope that once compulsory repatriation gets under way, more will decide to *go voluntarily*.

Of the boat-people in Hong Kong, 44,000 arrived after a screening policy to sort out genuine refugees from economic migrants was introduced in June last year.

Only about 10 per cent are expected to qualify for refugee status, and, despite international opposition, members of Hong Kong's Legislative Council continued strongly to support mandatory repetriation for the remainder during a debate earlier this week.

PA adds: Emigration from Hong Kong has reached record levels because of uncertainty over the nationality issue, a new report says today.

At least 55,000 people are expected to leave the colony by the end of the year, according to a report by the Joint Council for the Welfare of Immigrants which warns the crisis of confidence is having a "catastrophic effect on business and services."

It also accuses the British Government of inaction which it claims has lead to widespread insecurity.

Islamic law upsets Malaysian Chinese

By Lim Siong Hoon in Kuala Lumpur

THE VARIED racial parties that make up the Malaysian government are like a political stew constantly on the boil. Occasionally it bubbles over. It happenad again this week when eight Chinese state legislators all threatened to resign at once.

They have submitted resignation letters to the Selangor state legislative assembly. And if they stick to their word, the crisis they have stirred up will endanger not only the state government but the National Front parliamentary coalition as well.

The assemblymen's grouse is a touchy issue; it concerns the Islamic law passed in July by the nominally secular assembly under which children can be converted to Islam on reaching maturity. Under Islam maturity begins at puberty, a definition at odds with the Constitution which gives parents the right to determine the religion of their children under 18.

The bill was passed with, apparently, the acquiescence of the assemblymen from the Malaysian Chinese Association (MCA), the second largest partner in the state and federal coalition. The major party in the coalition is the United Malays National Organisation (Umno), which has 15 members in the 32-member assembly. There are 15 non-Moslems.

The MCA ultimatum is that they will quit unless the offending law is amended by mid-December. Dr Mahathir Mohamad, the Prime Minister, said the threat was blackmail. Even the national leadership of the MCA was surprised by their representatives' move, as previous talk had been of resolving the controversy quietly, "by consensus."

Dr Mahathir says he will not give in to them, nor leave any by-election uncontested. The stand-off reflects how far political integration is coming under stress, with non-Malay parties in the coalition becoming restless.

Parti Bersatu Sabah (PBS), the Sabah ruling party, has also added its voice to the chorus of dissent. Mr Pairin Kitingan, the Catholic Chief Minister and party president, has accused the federal government of plotting against his government.

The charge has been made because Mr Pairin has criticised as politically motivated an investigation by the Anti-Corruption Agency into the activities of some Sabah officials. News of the investigation broke last week as the PBS was preparing for an important by-election against Mr Mark Koding, Mr Pairin's former deputy.

All this has multiplied the problems of Dr Mahathir, who has been talking of an early general election, perhaps early next year. His party is already at odds with Tunku Abdul Rahman, Malaysia's first Prime Minister, and Tunku Razaleigh Hamzah, e former minister who broke away from Dr Mahathir'e Umno taking a sizeable chunk of support with him. Dr Mahathir is trying to bring all the Umno dissidents back into the fold before the election.

Separatists kill three

Rebels killed three policemen in an ambush on Papua New Guinea's copper-rich Bougainville island, dashing hopes of a quick peace settlement, government officials said yesterday, *Reuter* reports from Port Moresby. The attack a faw miles from the country's largest copper and gold mine, shut down since May, was one of the most serious since a rebellion lead by militant landowners erupted 11 months ago.

Eritrean guerrillas get ready for independence

Threat of famine has not dulled the rebels' confidence of defeating Ethiopia, reports Elizabeth D Wise

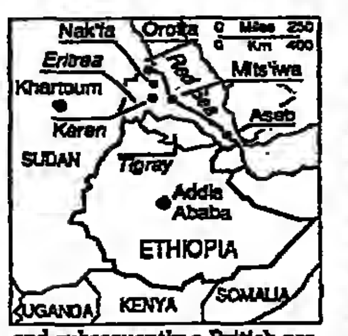
AFTER nearly 28 years of fighting, the Eritrean Peoples' Liberation Front (EPLF) believes that independence from Ethiopia is close at hand.

Efforts to relieve the drought, which in Eritrea and Tigray has left up to 4m people in need of food aid, take priority. EPLF officials say 337,000 tonnes of food will be needed in 1990. They also need help with transport – over 700 10-tonne trucks will be required to bring the supplies in from Sudan to nearly 2m people at risk in "liberated" Eritrea.

But the danger of famine has not dulled confidence. Short of hanging election day bunting, the Front is preparing for an independent Eritrea.

Behind the lines, factories for rubber sandals, pasta, and sanitary napkins race to keep up with demand in the territory they control. Commissions on agriculture, construction, finance, industry, and transportation are staffed from central to village level by hundreds of professionals who form the civilian wing of the Front, described by Ethiopia's President Mengistu Haile Mariam as "bandits".

Eritrea, roughly the size of England, stretches along the Red Sea to the north of Ethiopia. Formerly an Italian colony



and subsequently a British protectorate, it was linked in federation with Ethiopia in 1952. In 1962, Ethiopian "occupation" prompted the creation of several Eritrean opposition parties. Of those, the EPLF, established in 1977 and seeking independence from Ethiopia, is the main guerrilla force and seemingly enjoys wide support from the 3.5m inhabitants.

"We care more about the Eritrean people than anyone else," says Mr Gebremichael Mengistu, field director for the Eritrean Relief Association (ERA), the EPLF's relief arm. Wells are the EPLF's first priority in newly liberated villages, where residents complain that Ethiopian soldiers used to consume their drinking water. EPLF barefoot doctors provide the only care for malnourished babies or wounded civilians.

EPLF schools are home for 20,000 war orphans or children of destitute families. Vocational classes follow, creating a skilled labour force and, says Mr Osman Salih, head of the Education Commission, no unemployment: "We're preparing them for the reconstruction of the country."

War's right hand in the region's destruction is drought. Eritrea has had a quarter of its normal rainfall and many farmere planted nothing. In Nakfa, rain arrived only in October, after the harvest period, washing away the few seeds that had been planted. Farmers said they were using the last morsels of relief food. ERA stores in Nakfa, the distribution point for most of central Eritrea, were virtually empty. New supplies are urgently needed.

The EPLF's longer-term strategy to counter drought has been a nationwide agricultural rehabilitation programme. The three-year, $35m (£22m) project has distributed 7800 tons of seeds and nearly 22,000 oxen as well as agricultural tools to 275,000 peasants since 1986. Farmers are trained to become workers in soil conservation, horticulture, animal vaccination, blacksmithing and water pump maintenance.

Mr Mengistu of the ERA said the region would survive the imminent famine more easily than that of 1985, because malnutrition and epidemics are much reduced now.

Life in the liberated areas has a socialistic flavour. Between members of the EPLF no money is exchanged; food and clothing for everyone from fighters to barefoot doctors is provided by the economic department of each commission. Peasants who participate to EPLF projects are often simply asked to contribute their labour for the good of the community.

The assignment of student to technical schools depends less on their interests than on the current needs of EPLF departments for skills. Political education is mandatory for the entire population. Femala fighters are held up as role models in the National Union of Eritrean Women. Even in the trenches there are no ranks, no saluting.

We're not Marxist and we never have been," says Tesfai Ghermazien, EPLF's deputy representative to the US and Canada. "We envision a pluralistic government which encourages private as well as public sector economy." As for the communal organisation, "We have no other choice. We are in a war situation."

Despite a declared ceasefire, Ethiopian MiGs fly over Eritrea almost daily, often dropping bombs. The State of Emergency gives soldiers free rein. Women no longer hang clothes to dry in the sun, but leave them under heavy acacia branches where they won't be seen from the air.

On the front line near Keren, division leader Halibaye Fessehaye sees an impasse in negotiations with the present government. "It will have to be a military solution," he says.

President Mengistu's Ethiopian régime has been seriously threatened by the Tigray People's Liberation Front, which supports Eritrean independence, and the EPLF has been lending the TPLF support in its sdvance on Addis Ababa.

Why doesn't the EPLF strike while the government is weak? "We'll know the right moment," says Mr Fessehaye.

But even if President Mengistu falls, the EPLF will not simply declare independence. Negotiations will begin with the next government in Addis, which they hope will be more sympathetic to their cause.

Almost no one in Addis Ababa thinks independence achievable. The main stumbling blocks are two Eritrean port cities on the Red Sea, now under government control, without which Ethiopia would be landlocked. The EPLF has not advanced on them for fear of raising the enmity of the Ethiopian public.

Other Eritrean liberation fronts claim that an agreement made without consent from all parties relevant to the struggle is worthless. Independence, they say, could lead to civil war between groups vying for the chance to administer the new nation.

And with famine looming again, is Eritrea – which through the ERA asked for $293m to aid this year – too poor to be independent? Says Mr Fessaha Gebrehiwot, an EPLF officer in the field: "No one held that against Djibouti when it was looking for independence."

Television and radio in Britain will broadcast an aid appeal for Ethiopia early next week, the BBC and Independent Broadcasting Authority announced yesterday. The Disaster Emergency Committee, representing five leading British charities, hava been pressing for such an appeal, which would draw on public response to recent television reports from Tigray and Eritrea.

Delors stresses implications of expanding EC

By David Buchan in Brussels

ENLARGING the European Community much beyond its present 12 members had to entail an increase in supranational decision-making if the bloc were to remain manageable, Mr Jacques Delors, the Commission president, said yesterday.

Referring to the eventual prospect of wider EC membership opened up particularly by events in Eastern Europe, he said: "The major challenge for the government of a Community embracing most of Europe would be to give it a capacity for decision-making and mediation sufficient to ensure the efficiency of the new unit".

Mr Delors' message, delivered in a speech here to the Centre for European Policy Studies, runs effectively counter to recent calls by Mrs Margaret Thatcher, Britain's Prime Minister, for the EC to concentrate on new relationships with East European and Efta countries rather than on new internal integration moves.

He will presumably repeat his views when he meets the British leader in London this morning, in the run-up to next week's Strasbourg EC summit, at which his plan for Economic and Monetary Union (EMU) will figure prominently.

Any treaty revision to set up an EMU should itself also encompass measnres to "improve the decision-making process and to fill what has come to be called the democratic deficit in the Community," Mr Delors said.

A way had to be found to involve national legislatures more in the process of building Europe, he stressed.

If the Community's membership were to stay at 12, then its challenge remained to bolster its security "in three aspects: economic, military, and ideological."

Mr Delors has always been an enthusiast for the idea of the EC giving itself a security identity, a desire not widely shared by member states. But widening its membership would also "require bolstering the degree of supranationality" in the EC. Otherwise, it would be impossible to manage a Community which would have more countries demanding exemptions from EC rules than those abiding by those rules.

EC social charter comes under attack

By Lucy Kellaway in Brussels

THE European Commission's proposals for implementing the Social Charter came under attack from both sides yesterday, with the European Parliament stepping up its protests over the weakness of the plans, and the UK protesting that they were too restrictive.

Mr Enrico Baron, president of the European Parliament, voiced his displeasure to Social Affairs ministers and to Mrs Papandreou, the commissioner responsible for social policy. The parliament was angry not to have been consulted over either the social charter or the related action programme he said. He attacked both for having been watered down so far as to be devoid of practical effect.

The unusual involvement of Euro MPs at a council meeting demonstrates the desire of Parliament to increase its powers. Although Mr Baron did not sit in at the council meeting itself, the staging of an informal meeting with ministers shows Parliament is prepared to exert all the pressure it can through political channels to get the social charter reinforced. If this fails, it has threatened to slow down legislation on the single market.

Mr Norman Fowler, UK employment secretary, yesterday reiterated the British view that the action programme was most unwelcome as it would add to labour costs. "Our concern remains that the proposals will cost jobs," he said.

● Ministers yesterday adopted three directives on health and safety in the work place, covering machinery and personal protective equipment.

Peels of joy in Germany sound alarm in Spain

By Peter Bruce in Madrid

THE DRAMATIC political changes taking place in Eastern Europe, while winning applause from Spain's Socialist leaders, are beginning to sound loud alarm bells throughout Spanish industry.

A country which has come to regard itself as the chosen southern European destination for northern European industrial investment is quickly having to come to terms with the fact that potentially strong new competition is being opened up to investing industries in East Germany, Poland, Hungary and, possibly, Czechoslovakia.

In particular, it is the prospect of West German investment being diverted to East Germany that most frightens industrialists here. Although Spain has encouraged the conventional wisdom that northern European companies are "transferring resources" to the south, the fact is that this has barely begun to happen.

What gives the myth some credibility is the scale of West German industrial investment in Spain – the West German Chamber of Commerce in Madrid concedes the volume is incalculable – and in particular Volkswagen's decision to manufacture all its Polo models in Spain.

German industrial leaders make little secret of how comfortable they feel in Spain, as opposed to, say, France, but Spanish industrialists fear that, given the choice between building new plant in East Germany or in Spain, that they would lose out.

Mr Carlos March, chairman of the March banking and industrial empire and one of Spain's leading businessmen, said this week that the opening up of Eastern European economies posed a "grave threat" to Spain. "The danger is that regions in the south of Europe that have been gaining ground at the expense of the developed regions in the north may now begin to lose this to the east."

This new situation, he said, "is unfavourable for Spain or, at least, the situation is much more delicate than it was just six months ago." Foreign investors have pumped more than $45bn into Spain since 1986, without which the country would not have been in a position to deal with its chronic trade gap and newer current account deficit.

In private conversations over the past few weeks, many other Spanish indnstrialists have expressed exactly the same fears. Mr Antonio Diaz Alvarez, president of SEAT, Volkswagen's big Spanish subsidiary, added a variation to the theme last week when he warned that imports of cheap cars made in Eastern Europe could begin to threaten established positions, mainly SEAT's, in the Spanish market.

Leipzig, or even Warsaw and Prague, are just as well positioned (if not better) to service the big EC consumer markets as are Spanish manufacturing centres. And with Bonn pressing the EC to grant favourable treatment to its eastern neighbours, no-one in Spain is banking on tariff barriers to dampen the new eastern threat.

Norwegians may seek EMS entry

By Karen Fossli in Oslo

NORWAY MAY seek to join the European Monetary System (EMS) even if its fellow members of the European Free Trade Association decide not to do so themselves.

Although the Norwegian krone has largely remained steady on the foreign exchanges since it was devalued in 1986, each year since it has experienced isolated incidents of disturbances caused by speculation about further devaluation.

A report last year by a Government committee on monetary policy suggested that EMS membership would provide Norway with better protection against speculation than the basket of 14 trade-weighted currencies against which the central bank measnres the krone, defending its value within a 5-point range.

Recent Norwegian approaches to Sweden on the issue suggest the Government is laying the ground for eventual EMS membership, though officially Norway is working through Efta to this end.

Norway would like a joint application with Sweden, although in the past it has maintained that membership would hinge on that of Britain and clarification of other questions surrounding future development of the exchange rate system of management.

According to Mr Arne Skauge, Norway's new Conservative Finance Minister: "Time is now right for Norwegian authorities to explore with EC officials, and authorities in other Efta member countries, the possibilities and conditions for a closer association of the currencies of the Efta member countries with the EMS.

"This would be in accordance with the view expressed by a clear majority of the Storting's (parliament) Standing Committee on Finance in its recommendation to the Storting concerning the National Budget for 1990. Such an (EMS) association could help provide Norwegian companies with a more stable framework for their operations," he said.

Norway was part of the pre-EMS 1972 Basle agreement – the currency "snake" – in which the six founding EC members plus Britain, Denmark, Ireland and Norway agreed to let their currencies move against each other by a maximum of only 2¼ per cent.

To build confidence in a stable exchange rate Norway this year relaxed restrictions on capital flows by allowing foreigners to buy its bonds and more recently began allowing foreigners to issue bond loans in the Norwegian market.

Komarek gently tosses his hat into the ring

By Leslie Colitt in Prague

DR VALTR KOMAREK deftly threw his hat into the emerging Czechoslovak political ring yesterday and said he probably would agree to become the next Prime Minister – if that was what the people wanted. Judging by the posters on the walls of Prague calling for "Komarek as Premier" that is exactly what many Czechoslovaks want the bearded and bespectacled economist to do.

"If the people so decide and if it depends on my saying yes or no, then probably I would accept being Prime Minister," he said in an interview with the Financial Times. "I do not want to let the people down."

K was straightforward compared with an earlier news conference at which he faintheartedly left open his immediate political plans.

Dr Komarek, who heads the independent Institute of Economic Forecasting, has been in the forefront of aborted attempts to reform the Czechoslovak economy since the late 1960s. But only since a remarkable television appearance last Saturday did the 59-year-old researcher become virtually a household name.

With the eyes of the nation upon him he cogently argued the need for a "coalition of non-party experts" to take the reins of government. Scholarly and well-spoken, he came across as precisely the kind of man sober-minded Czechoslovaks might choose for the post.

But Dr Komarek's progress to the premiership has a hurdle or two to surmount. Mr Ladislav Adamec, the acting Prime Minister, is committed – after negotiations with the opposition Civic Forum movement – to forming a new Government by next Sunday. Mr Adamec's credibility, however, is questionable, although as Premier under the deposed party leader, Mr Milos Jakes, he advocated economic reforms without success.

Civic Forum, Dr Komarek insisted, had made a serious error in agreeing "compromises" with Mr Adamec, whom he regards as a stalking horse for the new Communist party leader, Mr Karel Urbanek. He repeatedly pointed out that while the facade of Communist rule in Czechoslovakia had "collapsed" the power structure behind it remained. Mr Urbanek was trying to co-opt the opposition's language in the hope of regaining lost ground, he said.

"I don't take the party seriously any more," he said. But he wanted to wait a while until resigning his membership of the party for an "honourable change" to take place within it.

A Prague office worker waiting at Mustek metro station afterwards said he and many fellow citizens backed Dr Komarek to become Prime Minister. But he was under the impression that he had already resigned from the party.

Dr Komarek said that he "deeply honoured" the person of Mr Vaclav Havel, the playwright and leader of Civic Forum, but that the opposition was giving the party a lifeline with which to recover. What was needed now was a clean sweep. A non-partisan government of professionals (undoubtedly headed by himself) would be able to overcome the present political instability. It could "discipline the state apparatus" and guarantee elections within five months. Simultaneously, economic reforms would be prepared by experts.

Not surprisingly, Dr Komarek's own economic expertise is his strongest political card. While Civic Forum has economic advisers, they are very junior compared with himself. Since setting up his forecasting unit in 1986, he has advocated meaningful economic and political reforms to the Government which however failed to overcome deep rooted opposition.

As the old order in Czechoslovakia crumbles, Dr Komarek has a potentially strong ally in Moscow. His links to the Soviet leadership rest on a close relationship with top economic advisers to Mr Mikhail Gorbachev. But he cautioned that some people in the Soviet leadership believed the most important step was to consolidate the Czechoslovak Communist party. Soviet support for the party would be a "big mistake," he said, as the "party has lost everything."

"A democratic Czechoslovakia would be a good friend of the Soviet Union. It would guarantee its treaties (the Warsaw Pact being the most important one), foreign trade and a Slavic tradition of mutuality," Dr Komarek suggested.

He did not exclude the possibility, however, that a beleaguered party might back the proclamation of martial law in Czechoslovakia – giving it a 30 per cent chance – but believed that a decisive "change-over" to non-party rule could take place within two months.

And when might he become Prime Minister? "Perhaps in the spring of next year. It is a symbolic time of the year – a new Prague Spring," he said, picking up the theme of Mr Alexander Dubcek in 1968.

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Herrhausen bequeaths powerful legacy

By **David Lascelles**, Banking Editor

THE MURDER of Alfred Herrhausen robs Deutsche Bank of the man most closely identified with its powerful international expansion of recent years, and which led it to make large acquisitions in most major European countries.

This culminated only four days ago with Deutsche's £950m bid for Morgan Grenfell, the UK merchant bank, an event for which Mr Herrhausen himself came over to London and which he described as "historic".

But the feeling among observers of Deutsche Bank yesterday was that the loss, though traumatic, was unlikely to halt the Frankfurt-based institution's international growth. Its expansionist instincts, backed by West Germany's industrial might, will continue to propel it forwards.

"They have built up such a head of steam under Herrhausen that it would be hard to slow it down," said Mr Alan Broughton, an analyst with Morgan Stanley. This growth has taken Deutsche to the point where, with assets equivalent to $171bn, it is the sixth largest bank in Europe – and the largest in terms of market capitalisation.

Another factor which should help Deutsche absorb the shock is the strongly consensual approach of its management. Although Mr Herrhausen was a clear leader at the bank and carried the title "speaker", all its major decisions were taken by its 12-person board of managing directors, who emphasise their equality by all receiving the same salary.

Mr John Craven, chairman of Morgan Grenfell, who led negotiations on the takeover, described Deutsche's management yesterday as "a partnership, not a pyramid." He was shocked by the murder, but it did not dampen his bank's enthusiasm for the merger.

The possibility of two "speakers" reflecting Deutsche's growing involvement in both commercial and investment banking was mooted by Mr Thomas Albrecht, European banking analyst at UBS Phillips & Drew. Before Mr Herrhausen, Deutsche had two speakers – for international and domestic affairs.

Possible candidate names that were mentioned include Mr Rolf Breuer, who is head of capital markets activities, Mr Hilmar Kopper, the man who put together the Morgan Grenfell deal, Mr Herbert Zapp, who looks after corporate banking, and Mr Eckart van Hooven, the board veteran who might act as a stopgap.

But while continuity will doubtless be the theme that Deutsche itself will want to stress, the Herrhausen era will go down in Deutsche Bank history as the time when Germany's sleeping banking giant began to wake up – rather belatedly – and stretch its powerful limbs across Europe.

Through a combination of acquisitions and start-ups, it expanded into new geographical regions and into new lines of business, adding to the considerable might it already exercised in the German market as an institutional shareholder. Bank acquisitions in Italy, Spain, Portugal, the Netherlands, Austria and now the UK, followed rapidly.

At the same time, Deutsche diversified into new areas, such as management consultancy and insurance and particularly investment banking for which, as a universal bank, it was well suited. With Deutsche Bank Capital Markets, its existing London-based debt issuing and trading operation, and, shortly, Morgan Grenfell, it will be a commanding player in Europe's largest financial centre. Deutsche also has both banking and securities operations in New York and Tokyo where it has been able to bridge the regulatory divide.

More recently, Deutsche has also been concentrating on potential new markets in East Europe where it has both a natural role to play through Germany's geographical closeness to the countries of the East, and the chance to exploit big business opportunities.

Although Deutsche will inevitably end up playing a political role in East Europe because many would follow whatever example it chose to set, Mr Herrhausen believed it should not shrink from taking bold steps there, so long as it did not lose sight of the commercial risks.

The scale and breadth of Deutsche's business have inevitably led to its being held up as one of the prime candidates for the title of Europe's first continental bank, and industry leader in the post-1992 markets.

That may well turn out to be the case; the only other possible contenders being the top two or three banks in the UK and France. But Mr Herrhausen, and doubtless his successors too, always stressed that Deutsche's growth was driven by commercial calculation and not by the desire to achieve size for its own sake.

Chancellor Kohl and President Gorbachev look on as Mr Herrhausen signs an agreement in Moscow last year

Killing underlines terror group's powers of survival over 20 years

By **David Goodhart** in Bonn

THE MURDER of Mr Alfred Herrhausen is a shocking reminder of the Red Army Fraction's power of survival. Several times in the 20 year history of the organisation, and its off-shoots, it has disappeared from view for a few years, been declared dead, and then struck again.

It is also a reminder of the vulnerability of prominent politicians and businessmen and inevitably raises questions about whether the authorities could have done more to protect Mr Herrhausen, a man at the very top of the security-risk listings.

Following his murder security will become even tighter, not least because on two previous occasions in 1977 and 1986 a second murder came only weeks after the first. It is also being whether threats of a new terror campaign from leaders of the recently failed hunger strike by fraction prisoners were taken seriously enough.

Responsibility for the protection of prominent people lies with special squads attached both to the Federal Criminal Investigation Office (BKA) and to the Länder (state) police. Mr Herrhausen was the responsibility of the state of Hesse but his day to day protection was in the hands of private body-guards hired by Deutsche Bank.

Although security in West Germany sometimes seems surprisingly light, the BKA argues that in fact it is as tight as it can be while at the same time allowing prominent people to continue a relatively normal life. An explosives attack such as that on Mr Herrhausen is virtually impossible to prevent, according to a BKA official.

The same *official* completely rejected claims that the authorities had been lulled into a false sense of security by the bungled attack on Mr Hans Tietmeyer, then a state secretary in the Finance Minister, last year. After the attack some commentators argued that it proved the Red Army Fraction had lost its "professional" terrorists.

The organisation is believed to have a hard-core of about 20 members with a circle of 200 active supporters and 200 more passive supporters. It is a direct descendant of the Baader-Meinhof group which first emerged in the late 1960s out of the Maoist fringes of the student movement.

However the BKA official remembers almost fondly the "misguided, middle-class, intellectuals", who then formed the core of the group, compared with today's "brutal, hardened, terrorists" who are now concerned less with sparking world revolution than with a bloody battle of revenge on behalf of the almost 90 fraction members in prison, many in solitary confinement.

The Baader-Meinhof group began by attacking property rather than people in the name of the world struggle against *imperialism*. Its views on imperialism and the continuity between the Third Reich and the modern German "military-industrial-complex" were shared by many on the far-left in the early 1970s and until the "German Autumn" in 1977 the group received a fair amount of passive support from the fringes of the democratic left.

Andreas Baader and Ulrike Meinhof were arrested in 1972 following the first attack which claimed lives – those of three US servicemen in Heidelberg. Then came a series of attacks – climaxing in the abduction of Mr Hans Martin Schleyer, the employers leader, and the hijack of a Lufthansa jet to Mogadishu in 1977 – all designed to force the release of the fraction's leaders. These attempts failed and soon after Baader took his own life.

After a quiet period in the early 1980s the group appeared to find renewed strength and committed three murders between January 1985 and October 1986.

The Red Army Fractions have not – unlike associates of the Red Brigades in Italy – been offered any kind of amnesty to help flush out those who have genuinely repented. However recently the West German President did, controversially, pardon one woman former terrorist. Also the IRA-style hunger strike earlier this year, for better prison conditions, won quite wide support and the Green Party has called for the *the terrorists to be recognised as* political prisoners.

Victims of Germany's terrorists

Following is a list of terrorist actions claimed by or attributed to the Red Army Fraction:

May 1972 – Three US servicemen are killed in a bomb attack November 1974; West Berlin Judge Günter von Drenkmann is shot dead.

April 1975 – "Holger Meins" Commando occupies West German embassy in Stockholm and kills two diplomats.

April 1977 – Chief Public Prosecutor Siegfried Buback shot dead.

July 1977 – Jürgen Ponto, chief executive of the Dresdner Bank, shot dead.

September 1977 – Employers' leader Hans-Martin Schleyer abducted and later murdered.

October 1977 – Palestinians supporting Schleyer's kidnappers hijack a Lufthansa flight and kill the pilot.

February 1985 – Arms industry executive Ernst Zimmermann killed in campaign for political prisoner status.

August 1985 – Huge car bomb at US Rhein-Main air base near Frankfurt kills two people and injures 20.

July 1986 – A powerful remote-controlled Red Army Fraction bomb kills Siemens executive Karl Heinz Beckurts.

October 1986 – Senior West German diplomat Gerold von Braunmühl is shot dead outside his home in Bonn.

September 1988 – Hans Tietmeyer, State Secretary at the Bonn Finance Ministry, escapes a shotgun ambush.

Moscow faces fresh wave of angry nationalist protests

By **John Parker** in Moscow

AS Mr Mikhail Gorbachev continued his diplomatic rounds in Italy, two intractable nationalist disputes at either end of the Soviet Union were taking sharp turns for the worse.

Two people were killed in the Transcaucasian republics of Armenia and Azerbaijan as both sides took to the streets in protest at the Supreme Soviet's attempt to resolve their dispute over the territory of Nagorno-Karabakh by ending special administrative rule from Moscow.

In the Baltic states of Lithuania and Latvia, splits appeared in both local Communist parties as Mr Vadim Medvedev, a Politburo member, flew in from Moscow for new talks with the Lithuanian party leaders.

He said Mr Gorbachev had sent a message to the Lithuanian party repeating his assertion that secession from the Communist Party of the Soviet Union (CPSU) was unacceptable. On Wednesday, the Supreme Soviet returned Karabakh, an Armenian-populated enclave within Azerbaijan, to indirect rule by the Azerbaijani republic. Since January, the area has been under the direct rule of Moscow.

The decision has caused uproar in Armenia and Karabakh. In Armenia, the local parliament went into emergency session as both the Armenian national movement and students from Yerevan university staged large rallies.

The local Communist Party chief, Mr Suren Arutunyan, meeting with managers of the republic's industrial enterprises, praised the walk-out staged by Armenian deputies to the Supreme Soviet in Moscow before the decision was announced.

In Karabakh itself, every town except Shusha (which is dominated by Azeris) was paralysed by a one-day strike. The autonomous region's capital, Stepanakert, was the scene of another huge rally with protestors demanding deputies boycott the congress of people's deputies, the country's super-parliament which opens on December 12th.

Many Communist Party members are believed to have been returning party cards. Members of the national council for Nagorny-Karabakh, which recently declared itself to be the legal government of the region, left for Yerevan, Armenia's capital, to discuss plans.

Azerbaijan might have been expected to support the Supreme Soviet's decision, but it too, has been hit by strikes. Yesterday the 50 largest factories in Baku were shut and a rally outside Communist party headquarters demanded the government's resignation.

The Azerbaijan Popular Front has renewed its blockade of Armenia and Karabakh, which normally receive most of their food and other supplies by rail from Baku.

The front's leader, Mr Etibar Mamedov, told protestors the Supreme Soviet's decision to require Azerbaijan to pass special laws guaranteeing new rights and economic autonomy to the inhabitants of Karabakh was an infringement of Azerbaijan's sovereignty.

Politicians in Bonn row over Kohl unity plan

By **David Goodhart** in Bonn

THE unexpectedly strong *domestic political consensus* in West Germany over Mr Helmut Kohl's 10-point plan for German unity has already come apart.

The opposition Social Democrats yesterday announced that they would not be backing the plan without certain qualifications unacceptable to the governing coalition.

Also, Mr Otto Lambsdorff, leader of the *junior coalition* party, the Free Democrats, attacked Mr Kohl for failing to consult properly with West Germany's key Western allies and failing even to inform the Soviet Union or the East Germans before the announcement.

The SPD's main Bundestag spokesmen initially welcomed the 10-point plan and Mr Hans-Jochen Vogel, the party leader, has endorsed the idea of a "confederation" between the two Germanys.

Yesterday the party repeated its support for the plan, which it said represented a shift towards its own gradualist view of political union, but said it could only support it if the coalition also included a clear statement of support for Poland's existing western border and of the irrelevance of modernising short-range nuclear weapons.

Further party political strife over the recent developments is possible today when Mr Walter Momper, the SPD mayor of West Berlin, meets with Mr Kohl to ask for nearly DM800m (£286.5m) more in subsidies for his city to help pay for the special costs created by the opening up of the Wall.

● The giant metalworkers trade union, I G Metall, yesterday lodged its first official claim for the imminent metal industry negotiations in the key state of Baden Württemberg. It is demanding an 8.5 per cent pay rise and a 35-hour week.

SERIES OF FAR-REACHING AGREEMENTS SIGNED

Italy extends a strong hand to Gorbachev

By **Quentin Peel** in Rome

ITALY AND the Soviet Union yesterday signed potentially the most far-reaching series of bilateral agreements yet negotiated by a European Community country with Moscow.

The agreements involve co-operation in the conversion of Soviet defence industries, support for eventual Soviet and East European membership of international organisations like the IMF and the Gatt, and implicit criticism of Western restrictions on the transfer of technology to the East.

In exchange, Mr Mikhail Gorbachev put his signature to an agreement which describes pluralism as a "universal value" praises the reform process now under way in Eastern Europe as "courageous", and insists on the right to self-determination of every people, including the choice of socio-political order.

Nevertheless the Soviet side still criticised Nato's failure to change its current nuclear defence strategy, while Italy could not agree with the full force of Soviet fears over German reunification plans.

The documents signed yesterday by Mr Gorbachev and Mr Giulio Andreotti, the Italian Prime Minister, are clearly intended to put Italy in the forefront of West European support for perestroika underpinning a big drive by Italian business to match West German investment.

One of the most interesting aspects was agreement to set up a working group of experts to exchange information on the conversion of defence industries to civilian production, including research into alternative products, how to market them and how to retrain the industrial work force.

That deal in potentially sensitive areas of technology was matched by a statement in the final communiqué that "scientific and technological co-operation is a driving element in consolidating the integration process of today's world."

While not an outright attack on the Cocom restrictions on the export of sensitive Western technology to the Soviet Union, the statement leaves little doubt about Italy's unhappiness.

Mr Andreotti also went further than other Western leaders in endorsing Mr Gorbachev's hopes to join the international financial institutions, calling for "a gradual accession of the interested countries into international economic and financial organisations (such as IMF, Gatt, etc)."

President George Bush is likely to come under renewed Soviet pressure this weekend both to relax the US attitude to the Cocom restrictions, and to allow Moscow at least observer status in a body like Gatt.

The range of agreements signed includes a large number of specific scientific co-operation deals, an investment protection agreement, mutual recognition of certificates of air worthiness and co-operation in environmental protection.

Companies flock to sign deals with Soviet Union

By **John Wyles** in Rome

MANY of Italy's leading private and public groups yesterday followed Fiat in signing joint venture and commercial agreements with the Soviet Union in fields as diverse as oil exploration and roadbuilding, intensive farming and chemicals manufacturing.

The deals, together with *Fiat's joint car production venture*, have provided a robust business underpinning to Mr Mikhail Gorbachev's state visit to Rome which ends today.

The Soviet delegation yesterday signed a number of intergovernmental agreements which included protocols guaranteeing protection of foreign investments and co-operation *to convert defence equipment* manufacturing plant to the production of civil goods.

Among the most significant agreements signed yesterday were three involving Ferruzzi group companies which are said to be worth a total L3,000bn (£1.46bn).

One will lead to the construction of five polipropylene manufacturing plants with a total capacity of 500,000 tonnes on an investment of L1,300bn.

The second provides for technical and scientific co-operation on new processes for producing monomers and the third will carry forward a plan to develop agricultural land and farm product processing in the Caucasian region.

Elsewhere, the Eni energy holding company has signed four agreements aiming at joint ventures in gas and oil exploration, the upgrading of refineries, detergent manufacturing and the design and sale of gas compressors.

Iri, the state industrial holding company, has signed framework agreements covering the rebuilding of the Moscow-Minsk highway, collaboration on air traffic control systems and the supply of electronic telephone exchanges.

Still to come is the signing tomorrow of an L700bn contract which will see the Merloni Group, owners of the Ariston marque, building a refrigerator and freezer production plant at Lipzek, 400kms south of Moscow.

Merloni will also supply materials and parts for the products for five years from *the start of production in July* 1992.

State aid curbs urged on Italians

By **John Wyles** in Rome

SIR Leon Brittan, the European Community's Commissioner for Competition, yesterday took to the Italian Senate his campaign for tighter controls on state aids to industry, three days after its members had been told that the Commission has greatly exaggerated the volume of aid paid in Italy.

Appearing before a special senate committee of inquiry on state aids, Sir Leon repeated figures used in the Commission's recent White Paper on the subject, which suggest that public aid to industry in Italy rose by 250 per cent between 1981 and 1986 and averaged annually about five times more than that paid in France and Britain.

Stressing that the Community would have to take a more rigorous approach to aids to industry so as to avoid distorting competition in the new open market, he said the Commission believed "aids are investments made in circumstances that would not be acceptable to a private investment".

Capital injections to cover losses by public companies were aids that could not always be judged compatible with the common market, added Sir Leon.

Given the differences between Italian aid levels and those in other member states at a similar level of development, "we must ask ourselves why Italy presents such differences and whether it is not necessary to make some changes."

Poland and Hungary seek BIS bridging loans

By **Stephen Fidler**, Euromarkets Correspondent

POLAND and Hungary have requested bridging loans from the Bank for International Settlements, the Basle-based body which groups western central banks, in a bid to speed western help for their economic reform efforts.

Western officials said they expected the requests would be looked upon sympathetically. However, they added that Hungary's economic programme was less advanced than Poland's and its government faced the *additional* uncertainty of elections next year.

Loans from the BIS are sometimes used to bridge the gap between an agreement between a member country and the International Monetary Fund and the disbursement of IMF and World Bank funds associated with it.

IMF officials have been in Warsaw discussing the country's economic programme, but a letter of intent on an agreement seems unlikely before the end of the year. Because of the depth of the economic problems and the radical approach being considered, the government wants the loans to be disbursed as fast as possible.

Poland may be able to draw as much as $700m from the IMF *under a standby loan programme*, of which some $500m may be bridged with the BIS.

Ministers from the group of 24 western donor countries to Poland are due to meet in mid-December to try to co-ordinate offers of help.

Franco-German helicopter deal

By **William Dawkins** in Paris

FRANCE AND West Germany yesterday signed a DM1.9bn joint development contract for *a series of combat helicopters* to equip their respective armies at the end of the 1990s.

The long expected deal adds new certainty to a project which has been dogged by delays, caused by differing aims and specifications, since the pair signed a first outline accord in 1984. The partners are French state-owned Aérospatiale and Messerschmitt-Bolkow-Blohm (MBB) in a 50-50 joint venture, Eurocopter.

They aim to produce five prototypes to fly by mid-1991, with final models available for delivery between 1997 and 2008. Two types are scheduled for development, an anti-tank helicopter named PAH-2 for West Germany or HAC for France, plus a support and protection helicopter, HAP, for the French army alone. They will have an 800km range with top speeds of 260kmph to 280kmph.

The West German army is planning to buy 212 PAH-2s, while the French forces plan to order 140 HACs and 75 HAPs. They will be assembled by Aérospatiale at Marignane in the Bouches-du-Rho<circonflex>ne region and at MBB's plant near Munich.

Slovenia bans rally of Serbs

By **Aleksandar Lebl** in Belgrade

PSYCHOLOGICAL warfare between Serbia, Yugoslavia's most populous republic, and the small, prosperous Western-oriented republic of Slovenia is escalating.

The Serbian wing of Yugoslavia's Socialist Alliance, the Communist front organisation, has urged Serbian companies and citizens to sever all ties with Slovenia, following a decision by the Slovenian interior minister to ban a mass rally of Serbs and Montenegrins in Ljubljana, the Slovenian capital, that was planned for today.

Organisers were trying yesterday to redirect the demonstration to Belgrade, the Serbian and federal capital.

The stated purpose of the rally was to to acquaint the people of Slovenia with the "truth about Kosovo", the strife-torn Albanian-populated province where Serbia has reasserted political control.

Organisers of the meeting planned to bring to Ljubljana some 40,000 people from Kosovo (where they claim that Albanians were plotting "genocide" against Slavs) but also from Vojvodina province – a multi-ethnic area which also fallen under pro-Serbian control – and the republics of Montenegro and Croatia.

Labour backs ERM entry for UK on 'reasonable' terms

By **David Lascelles**, Banking Editor

BRITAIN'S Labour Party supports the negotiation of UK entry into the exchange rate mechanism (ERM) on "reasonable and prudent" conditions to help implement the first stage of the Delors plan for monetary union, according to Mr John Smith, the Shadow Chancellor of the Exchequer.

But Mr Smith told the FT World Banking Conference, "Europe after the Delors Report", in London yesterday that Labour has strong reservations about stages two and three, which proceed to the *creation of* a European central banking system and a common currency.

Labour would accept neither a system of central banks which would be independent of political control, nor binding rules on budgetary and fiscal policy. But Mr Smith believed that his concerns were already being considered in EC institutions, and he said a future Labour government was pledged to negotiate in good faith with its European partners.

The City of London's survival as the number one financial centre of Europe depends crucially on the UK being a full member of the EC, according to Mr Peter Leslie, the deputy chairman of Barclays Bank. "Our message is that economic and financial independence or sovereignty are a thing of the past," he said.

FT CONFERENCE

EUROPE AFTER THE DELORS REPORT

However, there were still trade barriers to an integrated European financial market, and the UK should play a greater part in pushing for further legislation to achieve it.

Lord Roll, president of S G Warburg Group, said that while the technicalities of economic and monetary union seemed far removed from the problems which bankers normally have to worry about, the prospect of a stable exchange rate environment and a concerted monetary policy would have a profound effect on domestic and cross-border financial transactions. If this *could be combined* with *steady* growth and low inflation, there would be a new and powerful challenge to creative financial service.

Mr Giles Keating, director of research at Credit Suisse First Boston, argued against centralised EC controls on the grounds that markets are a much better way of achieving fiscal co-ordination. As European monetary union develops, price stability is best assured by competition among central bank monetary policies because this assures that the private sector's anti-inflationary voice is heard. Mr Keating also believed that monetary union can be achieved almost entirely without European federal institutions.

Dr Roland Vaubel, professor of economics at the University of Mannheim, said there was no evidence that the exchange rate mechanism of the European Monetary System had reduced exchange rate variations or inflation, or increased either intra-EMS trade or the credibility of anti-inflationary policies. The EMS was a remarkable example of how a large body of evidence could be ignored if it was inconvenient, and because of this the UK was well advised not to join the EMS.

Mr Samuel Brittan, economic commentator of the Financial Times, analysed the UK Treasury proposals for a system *of competing currencies* and said they amounted to a sensible alternative to certain aspects of the Delors plan. It would be a tragedy, he said, if European leaders rejected them out of pique over the Thatcher government's behaviour, and he urged them to be statesmanlike enough to look at them with an open mind.

AMERICAN NEWS

Warning by Bush against summit 'peace dividend'

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush left last night for his weekend meeting off Malta with President Mikhail Gorbachev, talking about "a permanent reduction in tensions." However, he warned against premature talk about a large "peace dividend" from cuts in defence spending.

Mr Bush completed his extensive preparations and consultations with US allies and specialists in Soviet matters, saying he approached the two-day meeting "in a spirit of inquiry–and of finding ways that we can help ensure that everything moves forward."

The main US aim is to reach a new understanding with the Soviet Union across a wide range of issues from eastern Europe, via arms control, to regional conflicts such as Central America. In the last few days Mr Bush has been anxious to lower expectations about the possibility of specific agreements or of decisions being taken over the heads of his allies.

He sought yesterday to send reassuring signals to the Soviet leader, saying that Mr Gorbachev had played "a very, very constructive role as these events have developed in eastern Europe." He said events were "clearly moving in a way that should result in a permanent reduction of tensions that have been the hallmark of Cold War days."

However, he warned that there was "an uncalled-for euphoria in some quarters that suggests that current events mean that the US can recklessly cut its defence spending. When I hear 'peace dividend', what that implies to me is somebody saying, if you cut defence spending by $10bn, we can take that money and spend it on something else. They all have a wide array of programmes. Wa can't do that. We've got enormous budget problems."

The US yesterday responded to suggestions, made by Mr Gorbachev in Italy late on Wednesday, for a reduction in naval forces in the Mediterranean and elsewhere. Mr Raymond Seitz, Assistant Secretary of State for European and Canadian affairs, said the US was not interested because it was a sea-going power and would not agree to arms control being applied to US naval forces.

Mexican interest rates up sharply at bill sale

By Richard Johns in Mexico City

MEXICAN interest rates rose sharply at this week's auction of Treasury bills as official figures showed that the current account deficit was $3.14bn for the January-August period of this year, up from $420m in the same period last year.

The current account figure confirms expectations that the outcome for the year will be in the order of $5.6bn-$5.8bn, compared to earlier projections of $4.6bn.

During this period exports increased by 7.5 per cent to $15.27bn while imports rose by 27.7 per cent to $15bn. At $6.64bn interest payments on the foreign debt were up 8.9 per cent over the same period of 1988.

The rise in domestic interest rates is seen by analysts as reflecting doubts over the parity of the peso given the trade imbalance and the Government's ability to limit inflation in 1990 to the 15.3 per cent figure in its budgetary projections.

Not only were rates up but there was a marked shift in preference towards shorter-term instruments in contrast to the steady and encouraging trend until recently towards longer-term maturities.

Deterioration of the current account apart, confidence has been weakend by confusion and contradictions in the presentation of the 1990 budget.

IADB rules change to help Latin America

By Nancy Dunne in Washington

THE Inter-American Development Bank, facing faltering demand for loans this year, has agreed to an early modification of its lending policies to make new resources available for development in the debt-burdened Latin American countries.

The new rules were to go into effect next year, with the bank's seventh resource replenishment, which is expected to lift lending to $22.5bn in 1990-1993.

However, project authorisations this year have lagged even behind the 1988 low levels as borrowers waited for an easing of the rules. The bank's governors – the finance ministers of the member countries – took a vote to let new rules go into effect immediately.

As a result, the bank said, the IADB is likely to reverse this year a worrying decline in lending – a trend which began in 1984. Before the change, less than $1bn in loans had been announced, down from $1.682bn last year and $3.565bn when lending peaked in 1984.

Under the new rules, the bank will be allowed to make loans covering 50 to 80 per cent of a project. IADB loans had covered 30 to 40 per cent, and Latin American countries were unable to raise their share of the financing.

The IADB also approved a rule change to lift concessional lending, most of which is to be for countries experiencing the most severe economic problems. IADB soft loans will no longer be restricted to particular sectors.

Before year-end, the IADB is expected to announce new projects now possible, with the aim to bring the 1989 total to $2.2bn. Four project approvals have been announced this week, including an innovative $360m credit scheme for medium and long-term financing for the private sector in Chile.

Another $34.7m loan will help finance a labour-intensive emergency public works project in Bolivia. A $3.86m grant from the Japanese Special Fund will also help finance it.

Political tripwire awaits Chilean hopes

Barbara Durr tells how an opposition front-runner could meet frustration

CONFIDENCE reigns in the heart of Mr Patricio Aylwin. As Chile approaches its presidential and Congresional election on December 14 election, the opposition presidential candidate, like his whole campaign, seems strangely serene, less concerned about winning than about the size of the victory margin and how to govern when President Augusto Pinochet has stepped down on March 11 – 16 years and six months to the day since he shattered Chile's long democratic tradition with a military coup.

Worries about a mere narrow win for Mr Aylwin, the 70-year-old Christian Democrat who is the candidate of the 17-party opposition coalition, indeed seem minimal. He has scored above 50 per cent in virtually every opinion poll this year. Public's support is clear on the Aylwin campaign trail. Wherever he goes, crowds gather spontaneously to cheer him or just to watch him pass and wave. Mr Hernan Büchi, the right-wing candidate, does not inspire similar spontaneity.

So Mr Aylwin spends less time in his campaign attacking his opponent than calling for people to participate in what he calls "the great crusade to reconstruct a free country." While he makes the usual promises about more social spending (promises Mr Büchi also makes), the tone of the Aylwin campaign is more about the restoration of intangible social values.

In a recent campaign tour of southern Chile, Mr Aylwin said: "My government would mean real change, where the dignity of the person is respected, where people are not humiliated, where people are listened to. We want a nation that is just and good for all." In part, his reference is the Pinochet regime's human rights record. Over the last two years, rights organisations have registered many fewer cases of violations but there have been nearly 750 documented cases of disappeared detainees since 1973, and arbitrary arrest and torture have been commonplace.

Yet Mr Aylwin also refers to a more basic if less measureable shift in Chilean society. The country's traditional human solidarity, he says, has been lost in the more individualistic and competitive environment of the Pinochet regime's free-market society. The opposition candidate is campaigning on the Chilean version of President George Bush's "kinder and gentler America."

Economics forms part of this promise of a more humane future for Chile. Mr Aylwin said that the goal of economic development "is not just to improve living standards but to have a better quality of life." He understands that he cannot criticise too roundly the economic successes of the military government during the last five years. These are undeniable. Instead, Mr Aylwin underscores that the benefits of these years of economic health have not touched the majority of Chileans.


Aylwin: Expected to win

"There has been a lot of talk about economic progress in Chile," he told a rally of more than 10,000 in the southern city of Valdivia, "but it has not benefitted the common Chilean. In the last ten years, the top 20 per cent of the population has increased its portion of the national income from 51 per cent to 60 per cent. The middle class and the workers have become impoverished in these years." Recent government statistics on income distribution back Mr Aylwin's charge.

Mr Aylwin and his coalition partners are counting on this vote to be largely in their favour. Mr Francisco Errazuriz, the third presidential candidate and a populist, will also garner some of these votes. Fewer Chileans of modest means are expected to cast ballots for Mr Büchi.

The opposition is aiming for as much as 60 per cent support at the ballot box in the first electoral round, though this seems optimistic. Indications suggest that Mr Aylwin will win outright in the first round, but with less than a landslide. A second round would be held if no candidate had an overall majority in the first.

The key to his ability to govern from March will be the proportion of opposition candidates in Congress. Mr Aylwin has been energetically promoting his coalition partners' candidacies for Congress in the hope that he will have a majority there. The outcome is hard to judge, not least because of the way in which the military regime changed the electoral laws. Now, for example, if two seats are available in a given district (in the case of the House of Representatives) or region (in the case of the Senate), at least one of the opposition candidates would have to win more than 66 per cent of the vote to avoid having the second seat go automatically to a right-wing opponent.

The rules are pushing Chile's multi-party political spectrum towards a two-party system, which for the moment is favouring the right wing. Chile's traditional political division is roughly by thirds – with a right, left and centre – the last led by the Christian Democrats. Now, the Christian Democrats have joined the left – an alliance not altogether comfortable – but the partners might not be able to take the required 66 per cent of the vote to win both seats in any given district or region. So the right could have as many as half the Congressional seats, although the popular vote were more heavily for the left and centre.

Mr Aylwin and his fellow opposition candidates are trying to overcome these considerable handicaps to the emergence of a workable government of their ilk. The danger is that, if Mr Aylwin has to contend with a recalcitrant Congress as well as General Pinochet, who will remain army commander-in-chief, be might be too deep in the trenches of institutional warfare to create the kinder and gentler Chile he wants.

US dependents out of Salvador

By Tim Coone in San Salvador

DEPENDENTS of US embassy officials in El Salvador are being evacuated. An estimated 300 people were sheltering yesterday in the fortified embassy building in the capital San Salvador, waiting to be flown to the US during the day.

The implementation of diplomatic evacuation is a signal that a big conflict is expected and that protection cannot be guaranteed. Such a signal from the US indicates an assessment of the ability of the Salvadorean armed forces to control the actions of the FMLN.

Embassy officials were remaining tight-lipped on the evacuation, but diplomatic sources in the city said other US citizens living in El Salvador were being recommended "to take long vacations".

Several European diplomatic missions were also on the point of implementing evacuation for non-essential staff and for their resident citizens.

The measures follow the occupation by left-wing FMLN guerrillas of western suburbs of the capital on Wednesday morning. The home of a US embassy official was attacked and badly damaged, and two French embassy officials had to be evacuated from their homes by the Red Cross. One Western diplomat said: "We saw a group of guerrillas having a late breakfast on a neighbour's terrace."

The guerrillas and the army have been recommending that residents leave the suburbs. Several Salvadorean industrialists seem to have been taken hostage by the FMLN.

The guerrillas announced a unilateral ceasefire until noon yesterday to let the Red Cross evacuate families.

The US Government has given more than $1m a day on average over the last 10 years in military and economic assistance to the Salvadorean Government to prevent the growth of the guerrilla army and a feared left-wing takeover of the country.

The pattern of the guerrilla offensive is beginning to resemble the final offensive of the Sandinista guerrillas in Nicaragua in 1979, which brought about the downfall of the Somoza dictatorship.

Candidates struggle for centre votes in Brazil

By Ivo Dawnay in Rio de Janeiro

BRAZIL'S two presidential candidates are scrambling to capture the centre among the country's 82m voters as Mr Fernando Collor de Mello continues to dominate the opinion polls.

The former governor, whose 28 per cent in the first round of the election last month left him firm favourite for the December 17 run-off, is trying to shrug off his right-wing image and bolster his appeal as a radical reformer.

Mr Luís Inácio Lula da Silva, his left-wing rival who won 17 per cent in the first round, is trying to expand his National Popular Front (FPN) beyond the socialist camp.

Mr Collor has been recording about 50 per cent in the opinion polls against about 38 per cent for Lula.

Much may depend on the Social Democratic Party, whose candidate Senator Mario Covas came fourth last month. About half the party believes Mr Collor represents a continuation of the discredited outgoing regime, and that the party's commitment to an end to the old oligarchy must ally it with Lula. Others argue that, distasteful though they find Mr Collor's elitist background, his liberal economic prescriptions are far closer to Mr Covas's demand for a "shock of capitalism" than Lula's views.

WORLD TRADE NEWS

Anglo-Japanese venture to bid for HK airport

By Michael Marray in Hong Kong and **Andrew Taylor** in London

A POWERFUL Anglo-Japanese consortium has been formed to bid for the design and construction of an international airport, a six lane motorway and a high speed rail link in Hong Kong. The contract would form a large part of a HK$127bn (£10.3bn) port and airport development announced eight weeks ago by the Hong Kong government.

The consortium is led by Trafalgar House and Costain the British construction, engineering and property groups and by Mitsui the large Japanese financial and industrial conglomerate. It is supported by the British and Japanese governments which are expected to a provide loans.

The Hong Kong Government said it expected the private sector to provide between 40 per cent and 60 per cent of the total costs. The availability of private finance is likely to be the key to whoever wins the work.

A high level delegation from the consortium visited Hong Kong several weeks ago to present its plans to the government. These included a proposal that the consortium manage the entire project.

Development would include the world's largest suspension bridge, a two-runway international airport at Chek Lap Kok next to Lantau Island; a road link from Tsing yi Island and a high speed rail link.

By moving quickly the consortium hopes to establish itself as the front runner for the project.

The Japanese will bring with them financial backing and experience in the Hong Kong construction sector while Trafalgar House has good connections with the Jardine Matheson group, through their joint ownership of Gammon Construction.

Government officials said Nishimatsu the Japanese contractor, which has co-operated with Gammon on several major projects in Hong Kong as well as Japanese groups IHI and Nippon Steel are also involved with the consortium.

Construction is planned to begin in 1991 and the first runway will open in 1997.

Top Western aero-engine makers look to Tokyo

By Michiyo Nakamoto in Tokyo

THE FOUR top Western aero engine manufacturers have applied to participate in a Japanese-sponsored supersonic engine development programme.

The programme, sponsored by an agency of the Ministry of International Trade and Industry (Miti), highlights Japan's growing interest in building up its aerospace industry. The fact that foreign companies were invited to participate suggests Miti is responding to pressure from foreign governments to let foreign companies participate in its research and development projects.

Rolls Royce of the UK and France's Snecma along with General Electric and Pratt and Whitney of the US, have submitted their names as candidates for a programme to develop an engine for a hypersonic passenger plane.

The programme, which is estimated to cost Y28bn (£125m) over an eight year period from next year, is being sponsored by Miti's Agency of Industrial Science and Technology. Ishikawajima Harima Heavy Industries (IHI), Mitsubishi Heavy Industries and Kawasaki Heavy Industries have applied to join.

Japan has lagged far behind the West in aerospace but the rising costs and risks have led Western manufacturers to increasingly seek Japanese financing capacity and production skills through risk-sharing partnerships.

US battle with EC over subsidies deepens

By William Dullforce in Geneva

THE EUROPEAN Community and the US yesterday diverged sharply on how to curb government subsidies that distort competition in international trade.

The US called for an outright ban on a range of domestic industrial and agricultural supports as well as on export subsidies in a proposal tabled in the group negotiating on subsidies in the Uruguay Round trade talks.

The EC argued that domestic subsidies were legitimate instruments of social and economic policies and said agricultural subsidies offered a special problem that should be handled in the talks on farm trade reform. Interference in a country's sovereign use of its domestic instruments could be justified only if it could be demonstrated that they had negative effects on other countries' trade interests, the Community stated in its submission to the group.

A crucial objective of the Uruguay Round is to reinforce control under the General Agreement on Tariffs and Trade of the massive and rapidly swelling government subsidies to industry and agriculture.

Last December trade ministers approved a framework that would divide subsidies into those that are prohibited; those that are not banned but against which countervailing action can be taken, if they are shown to have injurious trade effects; and those against which no action will be allowed.

Under the US plan most government subsidies would fall into the prohibited category. Under the EC proposal many types of subsidy would be permitted and most of the rest would not be prohibited but would be open to countervailing action, if a damaging trade impact could be proved. The EC outlines in some detail how Gatt rules for such action could be clarified and improved.

The US and the EC agreed only on the need to prohibit export subsidies.

The thrust of the US paper reflects the emphasis Mrs Carla Hills, the US Trade Representative, has recently been putting on curbing subsidies.

Mr Rufus Yerxa, Deputy Trade Representative, referred specifically in his paper to the $60bn, with which the US alleges governments around the world subsidise their steel industries. Steel and shipbuilding illustrated the need to develop credible disciplines for domestic subsidies in all sectors, Mr Yerxa said. A domestic subsidy, that was well "crafted" could do everything that an export subsidy did.

Washington wants to extend the list of Gatt-prohibited subsidies to include:

- Those contingent on an enterprise meeting a domestic content or local sourcing requirement.
- Subsidies going to companies that are predominantly exporters.
- Domestic subsidies that exceed a given percentage of a company's total sales. Where imports benefited from such subsidies, the importing country should be able to impose a duty on them equal to the amount of the subsidy.

The EC wanted the definition of a subsidy to be limited to action which involved a cost for a government and was specific to a firm or industry. A distinction should be drawn between general measures designed to stimulate economic activity as a whole and measures with identifiable beneficiaries whose competitive position was improved by governmental intervention.

Current US-EC trade disputes have clearly influenced the proposals. Thus, the US wants governmental insurance against exchange rate risks prohibited, an idea that reflects Mrs Hills' anger over the exchange rate guarantees provided by the West German government for the production of European Airbus aircraft.

The EC wants the negotiations to cover the civil "spill-over" effects of military spending, reflecting its counter claim that US civil aircraft production is heavily subsidised by government grants for defence research.

TEXTILE LABOUR COSTS

High wages begin to plague South Korea and Taiwan

By Alice Rawsthorn

THE TEXTILE industries in Western Europe, especially in Scandanavia, still have the highest labour costs in the world textile trade although emerging industries in South Korea and Taiwan are now beginning to struggle against steep increases in the price of labour.

Factors like quick response and design are important, but labour costs are perhaps the most critical component in determining the competitiveness of the international spinning and weaving industries which, despite recent advances in automation, are still highly labour intensive.

The cost of labour in the established industries is still far higher than in the Asian countries. But a new study by Werner International, a management consultancy specialising in textiles, shows that the cost competitiveness of the industries in South Korea, Taiwan and, to a lesser extent, Hong Kong is being eroded.

Rank	Country	$/per hour
1	Sweden	14.60
2	Switzerland	14.58
3	Denmark	14.08
46	Nigeria	0.26
47	Indonesia	0.23
48	Uganda	0.16

Costs at spring 1989

Source: Werner International

South Korea's textile industry saw the hourly cost of labour rise by 25 per cent – in US dollar terms – to $2.87 between the spring of 1988 and spring this year. Labour costs rose by 21 per cent to $3.56 in Taiwan and by 11 per cent to $2.44 in Hong Kong over the same period.

The Swedish industry had the highest labour costs – at $14.60 – of all. West Germany and Italy, which dominate the European industry, paid their textile workers $13.17 and $13.03 respectively. Labour costs in the UK industry, at $8.18, were lower than those of most of its competitors. Although Portugal had the lowest costs in the European Community at $2.03.

The cost of labour for the powerful US textile industry was $9.71 an hour. While the Japanese spinning and weaving companies paid their workers $13.98.

At the other end of the spectrum the cost of hourly textile labour in Indonesia was $0.23 and Ugandan textile workers received even less – just $0.16 – little more than 1 per cent of the amount received by their counterparts in Sweden.

Spinning and Weaving Labour Cost Comparisons, Spring 1989, is available free of charge from Werner International, 111 West 40th Street, New York, NY 10018, USA.

US semiconductor industry fears confirmed

By Louise Kehoe in San Francisco

THE Bush Administration's emerging hard-line policy against government intervention in industry has been confirmed this week by the President's chief science and technology adviser. It is opposed to increased funding for semiconductor and consumer electronics programmes, he stressed in Congressional testimony.

Mr Allan Bromley, director of the Office of Science and Technology, told the Senate Subcommittee on the Defence Industry and Technology that recommendations made by the National Advisory Committee on Semiconductors (Nacs) are at odds with the Administration's goals. But in his testimony, he denied reports of Administration plans to cut its current level of funding for Sematech. "I personally am completely unaware of any move to reduce support for Sematech," he said.

The committee, comprising industry executives, academics and government officials, issued its first annual report last week. Titled "A strategic industry at risk", it recommends a substantial increase in government funding for Sematech, the US semiconductor industry research consortium which aims to re-establish US leadership in chip manufacturing technology.

Nacs also called for the establishment of a publicly supported investment corporation to fund efforts to rebuild consumer electronics.

Mr Bromley acknowledged the semiconductor industry faced severe problems, but said "money for direct government subsidies to somehow reverse the situation by brute force is not now available."

His testimony marked the first official confirmation of reports that the Administration has turned against government backed programmes to boost the competitiveness of the US electronics industry.

Over the past six months, Administration officials have muted their enthusiasm for industry proposals for a major government-backed programme in High Definition Television.

$900m loan for Soviet, US venture

By Peter Montagnon, *World Trade Editor*

A HARD currency loan package of some $900m is in preparation for the joint venture to establish a petrochemicals plant at Tobolsk in the Soviet Union announced by Combustion Engineering of the US earlier this week.

The package will include between $500m and $600m in export credits and between $250m and $300m in commercial bank loans. In keeping with the growing trend in Soviet project finance, banks involved in this loan will have to accept some of the commercial risks associated with the $2bn joint venture, believed to be the largest yet announced.

Mr Max Abitbol, Combustion Engineering's managing director for international finance, said yesterday that the balance of the project cost would be made up of some $600m equivalent in equity, part of which will be supplied by the Soviet authorities and about $500m equivalent in rouble loans.

The structure of the package has been agreed in outline but details will take some six months to negotiate with the main banks involved, Credit Lyonnais, First National Bank of Chicago and Postipankki of Finland. Meanwhile the venture, which is being advised by Morgan Grenfell, is to arrange bridging finance.

There will be a Soviet government guarantee on the export credit part of the package, but the Soviet authorities are expected to do no more than guarantee completion of the project and deliveries of propylene, polypropylene and thermoplastic elastomers when providing support for the commercial bank loan.

This product will be sold to Neste of Finland, one of the joint venture partners, and banks are expected to have to shoulder the risk that the price it fetches will be sufficient to cover debt servicing.

Export credit agencies expected to be involved include those of the UK, France, the Netherlands, Austria and Finland. Their loans will carry a maturity of $8\frac{1}{2}$ years. The commercial bank portion will mature five years after construction is complete, expected to be in early 1994.

Major seeks to bolster £ with policy statement

By Ralph Atkins and Patrick Harverson

THE Government yesterday attempted to clarify its exchange rate policy following recent falls in sterling and confusion about its commitment to a strong currency.

Chancellor John Major said in the House of Commons that the exchange rate was one of the monetary indicators taken into account when setting interest rates. "That has been and remains our policy," he said.

He did not mention specifically that the Government wanted a strong pound during Treasury questions but Mr Norman Lamont, chief secretary to the Treasury, told MPs that the Government continued to favour a "firm exchange rate."

Treasury officials later described sterling's depreciation in the past few weeks as "unwelcome." Since Mr Major became Chancellor following the resignation of Mr Nigel Lawson, the pound has fallen more than 5 per cent against the D-Mark.

On foreign exchange markets yesterday sterling had a quiet day. After opening firmer against a weaker D-Mark, it ended unchanged at DM2.7925 and against the dollar, up just under a quarter of a cent at $1.5690. The Bank of England's trade weighted sterling index (1985=100) finished 0.4 higher at 86.4.

In the past week, the pound has been undermined by speculation that the Treasury was no longer prepared to raise interest rates to support the currency.

The Chancellor's comments to MPs followed pressure from Labour urging the Government to clarify its exchange rate policy and its attitude to the exchange rate mechanism of the European Monetary System.

At a Financial Times conference, Mr John Smith, opposition spokesman on the economy, said Mr Major was following the "anti-EMS" line of the Prime Minister and her former economics adviser, Sir Alan Walters.

Mr Smith said: "His recent description of the exchange rate mechanism as 'no more than a contrivance' and his current acquiescence in a falling exchange rate bear all the hallmarks of Sir Alan Walters – whose soul, it seems, is marching on."

However, Mr Smith added that Labour had "major reservations" about stages two and three of the Delors report on European economic and monetary union. Stage two includes the setting up of a European central bank and stage three would institute a common currency in Europe.

"We would not be willing to accept any system of central banks which would be independent of political control," he said.

MPs should have a greater role in examining European legislation, said a Parliamentary report published yesterday. The recommendations on changing the scrutiny of European legislation are the first since the procedures were laid down when Britain joined the European Community in 1972. The report is the result of an inquiry launched after pressure from both sides of the House over the inadequacy of existing procedures.

Court rules for record £1.5m libel damages

By Raymond Hughes and Robert Rice

LORD ALDINGTON, a former chairman of Sun Alliance, was yesterday awarded record libel damages of £1.5m by a High Court jury over accusations that he had been a war criminal.

Yesterday's award – after a 41-day trial – was made against Count Nikolai Tolstoy, an historian, and Mr Nigel Watts, a property developer. They had produced a pamphlet which alleged that in May 1945 Lord Aldington – then Brigadier Toby Low – "issued every order and arranged every detail" of the handover of 70,000 Cossacks and anti-Tito Yugoslavs to the Red Army and Marshal Tito's forces, knowing they would be tortured and massacred. Ten thousand copies of the pamphlet were circulated.

Lord Aldington, aged 75, a former deputy chairman of the Conservative Party, claimed during the trial that he was the victim of a "witch hunt".

Mr Justice Michael Davies suspended the award pending a possible appeal by Count Tolstoy and Mr Watts, who were also ordered to pay legal costs estimated at £1m.

Leaked memo reveals extra concessions on Rover sell-off

By Kevin Done, Motor Industry Correspondent

THE National Audit Office report published this week into last year's sale of Rover Group to British Aerospace was already a damning document. The NAO, which audits and certifies the accounts of government departments, said baldly that Rover was sold at a price "significantly short of the real value of the company."

What the NAO omitted from its report, at the request of the Department of Trade and Industry, were the lengths to which the Government was prepared to go to offload Rover when BAe appeared ready to back away from the deal.

These details were contained in a separate confidential memorandum submitted to the House of Commons Public Accounts Committee, in confidence by Mr John Bourn, head of the NAO. The job of the Public Accounts Committee, the Parliamentary select committees which examines the way in which public money is spent.

The memorandum, leaked on Wednesday, reveals that Lord Young, who was Trade and Industry Secretary at the time of the sale in August 1988, was prepared to grant BAe extra concessions worth up to £38m. These concessions were added after the Government had reached a deal with the European Commission on terms for the Rover sale, and were not revealed to the European Commission.

The confidential memorandum discloses that:

- payment by BAe of the £150m purchase price for Rover would be delayed up to the end of March 1990. The DTI estimated the value of this concession at the time of sale at about £22m.
- the DTI agreed to grant up to £9.5m towards the £12.8m BAe paid for the 0.2 per cent of the Rover equity held by private shareholders.
- the DTI agreed to reimburse Rover £1.5m for costs it incurred in facilitating the BAe takeover.
- the DTI agreed to take over BAe's £5m contribution to the Columbus polar platform programme administered by the European Space Agency.

The memorandum also discloses for the first time the identity of the four companies which also expressed interest in acquiring Rover.

The NAO says Ford of Europe, Volkswagen of West Germany, Lonrho, the UK conglomerate acting in partnership with Toyota of Japan, and Melton Medes, a Nottinghamshire company, showed interest in Rover after it had been revealed at the beginning of March that negotiations had been started with BAe.

None of these overtures were turned into firm bids – the Government had granted exclusive negotiating rights to BAe and an outline deal was struck before those rights expired.

The most surprising revelation in this section of the memorandum is that Toyota, the Japanese car maker, was co-operating with Lonrho. Rover had been working closely for nearly a decade with Honda, one of Toyota's leading rivals. Since the BAe takeover, it has been agreed that Honda should take a 20 per cent stake in Rover's vehicle operations.

The third important revelation in the NAO memorandum was the five-year profit forecast for Rover contained in its 1988 corporate plan, which indicated profits before interest and tax for 1988 of £37.5m, for 1989 of £52.4m, 1990 £103.8m, 1991 £90.8m and 1992 £142.5m.

Despite its dismal track record of chronic losses in the 1970s and 1980s, the memorandum shows that the Government knew BAe was taking over a company that expected steady profits through the early 1990s. Rover increased its profit before interest and tax by 233 per cent in 1988 to £65.7m.

Strike leads BAe to lay off workers, affects Airbus

By Michael Smith and Paul Betts

BRITISH AEROSPACE is to lay-off 130 employees by the end of the week and put another 500 on three-day weeks because of the strike by manual workers at its Chester plant in support of a 35-hour week.

The strike is also starting to affect production elsewhere in Europe by Airbus Industrie, the four-nation European aircraft manufacturing consortium of which BAe is part.

BAe's Chester plant produces wings for the Airbus narrow body twin engine A-320 and wide body A-300. The wings are then sent to Hamburg for outfitting before being sent to Toulouse for final assembly by Aerospatiale.

Aerospatiale, the French partner in Airbus, is reducing production and final assembly of Airbus narrow body and wide body aircraft at Toulouse in south west France to avoid the risk of a complete closure if the strike continues.

The 500 British workers who will go on three-day weeks, at reduced pay, are all based at the company's Filton, Bristol, plant. Another 30 will be laid-off at Filton, in addition to the 50 who have already been told there is no work for them.

In Manchester, 100 workers will be laid-off without pay. Both the Manchester and Filton plants make components for Airbus wings and their workload has been reduced as a result of the Chester strike.

The Chester plant is one of three BAe plants where manual workers are striking. The company warned yesterday that more lay-offs would follow if the strikes continued and that the military equipment division was likely to be affected for the first time.

Mr Maurice Dixson, managing director of BAe's commercial aircraft division, told workers yesterday that the strikes were unnecessary.

At Chester, the company had offered talks on a two-hour reduction from the 39-hour week. In return, it wanted agreement on improved productivity and changed working practices.

The strikes campaign at BAe and two other companies, Rolls-Royce and Smiths Industries, is in its fifth week. So far, the national campaign has produced only one agreement for a reduced working week. That affected about 1,700 employees of NEI Parsons, a Rolls-Royce subsidiary.

Meyer throws down gauntlet to Thatcher

By Michael Cassell, Political Correspondent

THE challenge to Prime Minister Margaret Thatcher's leadership of the Conservative Party was formally under way last night, with Sir Anthony Meyer, the 69-year-old MP for Clwyd North-West, emerging as the only alternative candidate.

With no other challengers appearing before yesterday's noon deadline for nominations, Sir Anthony said his candidacy would offer Tory MPs the only chance to register their disapproval of Mrs Thatcher. It would be "unthinkable" for the party to hold another election next year, he added.

The results of the secret ballot among 374 Tory MPs – the first since Mrs Thatcher won the post in 1975 – will be announced next Tuesday evening. A second ballot is not expected.

Although Mrs Thatcher is expected to record an overwhelming victory, MPs will be watching the scale of abstentions for signs of any extensive disenchantment over Mrs Thatcher's leadership.

Last night, Mr George Younger, the former defence secretary, announced that the prime minister had accepted his offer to be her campaign manager. The decision was being seen as a sign of Mrs Thatcher's personal determination to take nothing for granted and to maximise support.

Mr Younger's principal role will be to answer the Tory MPs' questions and to publicly promote over the next four days Mrs Thatcher's leadership qualities and achievements. He rejected the idea that his appointment would give the campaign a higher profile than both sides had agreed upon.

Mr Younger denied Sir Anthony's allegation that Mrs Thatcher had been "whipping up dislike" for the European Community, claiming she was a "very strong European, whose job it is to stand up for British interests."

Mrs Thatcher, who has a vote in the contest, will continue with her planned commitments until ballot day. She will today meet Mr Jacques Delors, the EC Commission president, for talks before next week's European Council meeting in Strasbourg and will spend the weekend at Chequers, her country residence, where she will meet Mr Lech Walesa, the Polish Solidarity leader.

Sir Anthony's Gambit, Page 15

Vauxhall unions close to engine plant deal

By Michael Smith, Labour Correspondent

UNION LEADERS said last night they were close to agreement with Vauxhall, the GM subsidiary carmaker, on a series of work practice and collective bargaining changes that the company is seeking as a pre-condition for General Motors to build an engine plant at Ellesmere Port on Merseyside.

The company said considerable progress had been made in six hours of talks involving Mr Paul Tosch, Vauxhall's chairman, and Mr Jack Adams, the union negotiator. The talks ended at 3 am yesterday, and the company was optimistic that a deal could be struck by next Monday, the company's deadline.

Vauxhall had previously told the unions that unless agreement was reached, it would be unable to ask its GM parent to site the plant for its V6 executive car engines on Merseyside in north west England. General Motors is considering Kaiserslautern in West Germany as an alternative manufacturing site.

The Mersey plant would provide jobs for about 400 people, compensating for expected job losses resulting from working practice changes at the existing Ellesmere Port facility. It would also help secure the future of the Ellesmere Port plant, employing about 5,000.

Yesterday's talks on the Ellesmere changes took place before separate talks aimed at resolving a dispute over pay for Vauxhall's 9,000 manual employees. The talks were continuing last night.

In the Ellesmere talks, the company dropped a previous demand for a three-year deal for manual employees, saying it would be willing to negotiate a two-year agreement.

The two sides also agreed in principle on a continuity of supply deal. Under this, unions would retain their right to strike: they had earlier accused the company of seeking a no-strike agreement.

Although there would be scope for arbitration if the two sides failed to resolve an issue, this would only happen if both sides agreed.

Management and unions have also reached an understanding on the company's desire for a reduction in the number of shop stewards at Ellesmere Port. Although a phased reduction from more than 150 shop stewards presently in place would be likely, union leaders say there would still be more than 100.

The unions are thought to be close to accepting double day shifts in principle, enabling the plant to stay open for longer each day.

- Ambulance unions said yesterday that they were not planning to escalate their industrial action over a rejected 6.5 per cent pay offer.

UK NEWS

Occidental wins approval for new Piper project

By Steven Butler

OCCIDENTAL Petroleum yesterday received government approval to redevelop the Piper oilfield in the North Sea, close to the site of last year's Piper Alpha oil platform disaster in which 167 men were killed when the platform was destroyed in a series of explosions.

The new development is to cost of £580m, some 80 per cent of which is to be spent in Britain. This will create 3,000 jobs during the construction period, mainly in the north east of England and Scotland.

Occidental, the safety record of which is under intense scrutiny in a public inquiry into the disaster, chaired by Lord Cullen, stressed that safety in the design of the new platform was a prime consideration.

Mr Peter Morrison, energy minister, said yesterday: "It is clear to me that Occidental is giving safety the highest priority in the consideration of the redevelopment of the Piper field."

Occidental is subjecting the project to an independent safety audit and is pledged to make any design changes required as a result of the public inquiry, which is now taking evidence on safety recommendations, and is expected to conclude early next year. The Government has said it would act on any recommendations made by Lord Cullen.

The field is to be redeveloped using a 46,000 tonne eight-legged steel platform, with a capacity of 140,000 barrels a day. First oil is expected to flow in 1992 at a rate of 75,000 barrels a day – about 150m barrels of recoverable oil remain in the reservoir.

The platform is also designed to process oil from the smaller Chanter field and East and South Piper fields.

Occidental is shortly to install a 200 tonne subsea drilling template at the site to pre-drill six wells prior to installation of the jacket.

● There may be a 3 per cent shift in the equity holdings of the Statfjord oilfield in the North Sea which straddles the median line dividing UK and Norwegian waters to give Norway a more powerful holding, according to Norwegian officials who were commenting on the 1989 re-determination.

Power chief attacks plan to drop N-programme

By David Fishlock, Science Editor

THE Government abandoned its nuclear power programme because electricity privatisation forced short-term commercial judgments upon a project whose primary value was long-term and strategic, Lord Marshall told the British nuclear industry last night.

Lord Marshall, in his first public statement since the Government abandoned three of the four planned nuclear stations, said he could not accept the decision and was "very disappointed indeed."

He told the British Nuclear Energy Society in London that he was therefore considering his position both as chairman of the Central Electricity Generating Board and chairman-designate of National Power, the company which would succeed the CEGB if privatisation goes ahead as planned.

Although he did not like the form privatisation was taking, he believed the story of nuclear power in Britain was a powerful argument for it, because of the appalling effects of 40 years of government interference.

Lord Marshall strongly denied suggestions that the CEGB had failed to keep the Government properly informed on nuclear costs, referring to discussions with Mr Cecil Parkinson, former Energy Secretary, in late 1987.

"I argued with him then, and I still believe it to be true, that a successful nuclear power programme is best pursued by a large generator which has the obligation to supply in a defined geographical area."

He also denied reports of hard personal negotiations, saying he had "received no proposal from the Government and made none to them."

But he agreed with two statements made to Parliament last month by Energy Secretary John Wakeham: that unprecedented guarantees were being sought and that the principal concerns about nuclear power prices arose because of high capital charges and the return on investment.

Extending the life of the first-generation Magnox stations under public-sector financial terms – as discussed yesterday by Mr John Collier, chairman of the nuclear power generating company, Nuclear Electric – would be "excellent value for money," Lord Marshall said.

Fuel service charges and decommissioning costs had not caused the abandonment of the three pressurised water reactors.

"The factors which really pushed up our estimates of what prices might have to be were the realities of satisfying the financial markets."

National Power was getting messages from the banking community stressing two points. "The first was that we would be expected to pay off our borrowings over a much shorter period than 40 years and that we should therefore seek shorter contracts."

The second message was that the banks wanted full government guarantees of the debt, as well as assurances that all significant risks would either be passed to consumers or carried by the Government.

Plans near completion for £800m Mersey barrage

By Ian Hamilton Fazey, Northern Correspondent

NEAR final proposals were revealed yesterday for an £800m electricity-generating barrage across the River Mersey in north-west England. The project has drawn strong interest from the European Investment Bank.

The Mersey Barrage Company (MBC), which is backed by a consortium of 23 leading financial, engineering, building and local private sector organisations, will attempt to attract further investment by taking the first steps towards creating e market for its electricity.

It will apply to be officially registered as a non-fossil fuel source of electricity for the privatised supply industry.

The privatised power industry will be obliged to take 20 per cent of supplies from non-fossil fuel generators, such as nuclear power stations, or renewable sources such as barrages, which harness tidal energy.

Acceptance on the register would create a market for the barrage company and enable it to negotiate putative contracts with the Merseyside and North Wales Electricity Board (Manweb) and its successors. Manweb is one of 15 original investors in the project.

Finance for the barrage is planned at 25 per cent equity, with the European Investment Bank and possibly two other large banks providing the rest of the money as loans.

A Parliamentary Bill is planned for 1992 for construction to start soon afterwards. About 5,000 jobs would be created.

Earlier estimates of costs ranged down to under £500m, using high technology construction techniques untried on such a scale in Europe.

The MBC has since been advised by potential investors to stick to conventional methods where costs, though higher, are more certain and controllable.

The latest work on the barrage suggests it would produce 1.5 Terrawatt hours of electricity a year, equivalent to 720,000 tonnes of coal. This is only 0.65 per cent of energy demand in England and Wales but enough to meet three-quarters of Liverpool's electricity needs.

Mr Nick Hammond, technical director of the MBC, said yesterday that an eventual overall rate of return of near 10 per cent was being assumed in calculations. Howsver, returns would be nil in the first five years, during construction.

Barclays de Zoete Wedd, the company's merchant banker, has devised a funding mechanism to reward early investors with premiums and enhanced returns for taking a holiday on early dividends.

Mr Des Pitcher, chief executive of Littlewoods and chairman of the MBC, said yesterday that with operating costs of £10.5m a year, the barrage's electricity would be about the same as conventionally produced power over the first 25 years of its life while it was repaying construction costs.

But for next 100 years its power would cost only 30 per cent of that from conventional sources.

The barrage would dam the Mersey between Liverpool and Rock Ferry, south of Birkenhead, but upstream of Liverpool docks and Tranmere oil terminal, so the bulk of shipping would be unaffected. Ships using Garston docks and Manchester Ship Canal would have to use locks in the barrage.

MPs hit at 'deplorable' post

By Hugo Dixon

THE Post Office's first-class letter service was yesterday described as deplorable by the House of Commons all-party Trade & Industry Committee.

In a hard-hitting report, the committee said it was "alarmed not only hy the poor quality of service but also by indications that the trend may be for a worse quality of service." It recommended that the Post Office attach prime importance to achieving an acceptable standard of service for first-class letters.

The committee's report is the latest in a series of criticisms levelled at the Post Office's handling of first-class letters. Earlier this year, the Mail Users Association claimed that only 52 per cent of first-class letter arrived at their destination on the day after posting, while the Consumers Association has suggested that there has been e decline in the service since 1985.

Ths Post Office, however, argued that e £65m investment programme was evidence that it was already giving priority to improving the letter service. It said its latest figures for October showed that 80 per cent of first-class letters arrived the next day.

The Post Office also claimed it was providing just about the "best value for money" of any postal service in Europe while at the same time being the most consistently profitabls service.

The committee also recommended that the Post Office should be given more freedom in its investment decisions. Post Office financial decisions are currently constrained by external financing limit, which the committee thought was crude and limiting.

Sunday Correspondent sales under pressure

By Raymond Snoddy

SALES of The Snnday Correspondent, Britain's new quality Sunday newspaper, are coming under increasing pressure and have now fallen markedly below 300,000.

Mr Nick Shott, chief executive of the paper, said yesterday last Sunday's issue sold an estimated 285,000 copies and he conceded that "there is still some downward momentum in our sales."

Sales, he suggested, were already showing signs of the pre-Christmas period when they are traditionally weak. Mr Shott said he saw "no prospect now of any upturn until the early to middle part of Jannary."

On January 28 the new paper will run into intensified competition with the scheduled launch of The Independent on Sunday.

All the signs are, however, that the Correspondent is not yet facing serious financial problems with circulation close to the figure predicted for this period of its life.

In Brief

Charities angered at BBC delay on appeal

Leading British charities have been angered by BBC Television's delay in responding to their reqnest for a special appeal for Ethiopia, where at least 4m people affected by drought and war risk running out of food.

The request was made last Thursday but despite pressure for an early decision the BBC has so far not responded. A BBC spokesman said last night that "extensive discussions" had taken place, and a decision would be made today.

One sensitive aspect of the relief efforts under way, however, is that much of the aid to Ethiopia will have to be delivered in co-ordination with rebel movements rather than with the Government.

Walesa calls for aid

Mr Lech Walesa, leader of Poland's Solidarity trade union who is on a four-day visit to London, welcomed Britain's decision to double its aid package for Poland, but said more was needed. Mr Walesa also said he would try to persuade Mrs Margaret Thatcher, UK Prime Minister, to play a greater role in European affairs when he met her.

AA flight plans

American Airlines, a leading US carrier, has applied to operate daily services from Glasgow to North America next year if the British Government ends Prestwick Airport's monopoly on transatlantic flights from Scotland.

Toyota plant order

Mr Chris Patten, Environment Secretary, confirmed the compulsory purchase order which will allow Japanese car manufacturer Toyota to huy the land needed for its £700m UK assembly plant in south Derbyshire. The plant will be the biggest single Japanese investment in Europe.

Accounting body to end merger loophole

By Richard Waters

THE ACCOUNTING Standards Committee yesterday agreed plans to remove the loophole which allows companies to account for takeovers as though they are mergers. Merger accounting enables a company to evoid the creation of goodwill and so leaves its reserves and pre-tax profits intact from the disadvantages of writing off goodwill.

At present, a merger for accounting purposes is one in which at least 90 per cent of the consideration is in the form of shares rather than cash.

Theoretically, this leaves both companies' shareholders with an interest in the combined group and so represents a true merger. In reality, acquirers have been able to take full control by means of vendor rights issues or placings, which satisfy the letter but not the spirit of the standard.

The Committes plans to restrict ths uss of merger accounting by defining the circumstances in which it can be nsed more tightly. These include:

● Neither of the merged companies should see themselves as the acquirer;

● Neither should dominate the management of the combined group, either formally or informally;

● Neither company's equity shareholders should have disposed of a significant proportion of their shares or rsduced their rights;

● Neither should be more than 50 per cent larger than the other;

● The share of the equity in the new gronp should not depend on the future performance of either of the businesses.

The proposals will be published in the form of an exposure draft early next year, at the same time that the committee publishes draft rules on related matters such as goodwill and how to account for brands and other intangible assets.

ARTS

Arts Week

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EXHIBITIONS

London

National Portrait Gallery. Tom Phillips – The Portrait Works: a thorough, self-explanatory, painstaking survey of the work of our most painstaking artist, always interesting and sometimes lively. Daily until January 21 except bank holidays.

Camera Portraits from the Collection 1839-1989. Until January 21.

National Portrait Gallery. Lewis Morley – Photographer of the Sixties: a study of the work a photographer now all but forgotten yet author of some of the most memorable images of the period, with Christine Keeler naked astride her chair the most famous of them all. Until Jan 7.

Paris

Musée des Arts Decoratifs. Je suis le Cahier - Picasso's sketchbooks. After two years of meandering the world over, the exhibition ends, aptly, in Paris. The 40 sketchbooks covering a period of 64 years follow closely Picasso's development. There are cubist flat planes decomposing reality next to the fulness of neo-classical figures, there is the almost sugary rendering of the mother and child theme next in the cruelly distorted female faces, there are all the facets of Picasso's inventive genius.107, Rue de Rivoli (42603214), closed Tue. Ends Dec 31.

Grand Palais. Archaeology in France. The exhibition presents 30 years of discoveries with some 3,000 objects, beginning with the inevitable skulls and flint tools and ending with finds from the Louvre foundations. A reindeer skeleton, numerous models of villages and tumuli, a life-size palisade topped with shields and spears, video programmes and explanations of scientific methods, all combine in bring this austère sounding discipline to life. Closed Tue. Late-closing night Wed. Ends Dec 31 (42895410).

Grand Palais. Eros. Some 100 vases, marbles, bronzes and jewels dating from Greek antiquity describe most explicitly the verve with which the god of love encouraged humans and gods alike in their uninhibited pursuit of pleasure. Closed Tue, ends Feb 5 (42896410).

Musée des Arts Decoratifs. Bohemian glass 1400-1989. Some 200 exhibits, among them the famous ruby-coloured glass, show how — having freed themselves from Venetian influence — the glassmakers of Bohemia carried the art of cutting and engraving and painting to such perfection during the baroque period that the renown of Bohemian crystal conquered countries as far apart as Spain and America, Egypt and Ireland. 107, rue de Rivoli (42603214). Closed Tue, ends Jan 28.

Musée d'Art Moderne de la Ville de Paris. Kupka (1871-1957) or The Invention of Abstraction. The subtitle of the vast restro-spective sums up the progress of the Czech-born artist from Vienna-inspired symbolism in non-figurative canvases where glorious colours acquire a life of their own. 11 Avenue President Wilson, closed Mon, ends Feb 25 (47236127).

The Louvre. Arabesques et Jardins de Paradis. The beauty and richness of nature is a leitmotiv which runs through Islamic art from Spain to India, from the 8th to the 18th century. 234 exhibits, miniatures and manuscripts, textiles and ceramics show the unifying force of this inspiration which ranges from the decorative to the symbolic. Yet the traditional style of each of the Islamic countries adds a specific colour to nature's interpretation. Closed Tue, ends Jan 15 (40205317).

Photography. To mark the 150 years since the birth of photography the Centre Pompidou speaks of the invention of an Art, the Musée d'Orsay stresses its modernity (Quai Anatole France), Archives Nationales recount the genesis of this invention (60, rue des Francs-Bourgeois), Musée Carnavalet shows Paris daguerreotypes (31, rue des Francs-Bourgeois), while the Centre National de la Photographie uses chronology to teach its history (Palais de Tokyo, 16 ave Président Wilson).

Institut du Monde Arabe. Egypt-Egypt. An exhibition of 25 chef-d'oeuvres, including the most recent finds, starts with statues and bas-reliefs dating from the middle-empire, continues with a golden crown of a high priest of Osiris with some elements of Roman art and Coptic icons and concludes with Islamic exhibits. 1, rue des Fosses-Saint-Bernard (closed Mon). Ends Jan 14 (40512888).

The Louvre and the Chateau de Versailles. David. A retrospective consisting of 84 paintings and 165 drawings is held simultaneously in the Louvre and in the Chateau de Versailles. It retraces the artistic development of the founder of neo-classicism who, cutting free from rococo's frivolities, preaches the Roman republic's rigorous virtues in The Oath of the Horatii and in The Lictors returning in Brutus the bodies of his sons. A radical revolutionary and friend of Robespierre, he immortalises the assassination of Marat in his bath, while organising the Revolutions self-glorifying festivities. With the advent of Napoleon he becomes the Emperor's premier peintre and celebrates him in a romantic equestrian portrait crossing the Alps and in the vast Coronation, the replica of which, together with the unfinished Tennis Court Oath and the Presentation of the Eagles to the Imperial Army is in Versailles. Louvre closed Tue, Chateau de Versailles closed Mon, both exhibitions end Feb 12.

Galérie d'Art Saint Honore. Lucretia. Setting off the white and rose-coloured body against a deep black background, Lucas Cranach the elder dares to paint at the beginning of the 16th century in Luther's town a disturbingly beautiful Lucretia. There is a wistful yet sensuous expression on her face, a lighter-than-air white veil emphasises her total nudity and a gold chain rises and falls with the contours of her breasts. 267, rue Saint Honoré (42601509). Closed Sat, Sun and lunchtimes. Ends Dec 15.

Brussels

Europalia Japan 89:

Musées Royaux d'Art et d'Histoire. Nambam Art explores the Portuguese influence on Japanese painting and the Splendour of No Theatre shows props and costumes from the Rokuro Umewaka Collection. Closed Mon. Ends Dec 17.

Modern Art Museum. Takeo Yamaguchi and Yoshishige Saito – pioneeers of Japanese abstract art. Ends Dec 17. Closed Mon.

Musées Royaux des Beaux-Arts. Seventeenth century flower paintings; a selection from the museum's collection of Flemish and Dutch masters. Closed Monday; ends Feb.

Musée d'art Moderne Place Royale. Takeo Yamaguchi and Yoshishige Saito, abstract art in Japan. Closed Monday, ends Dec 17.

Antwerp

Hessenhuis. 53 Falconrui. Japanese posters by 12 graphic designers. Closed Monday, ends Dec 17.

Madrid

Fundacion Juan March. Retrospective of Edward Hopper opens the autumn season at the foundation. 61 works by the New York realist covering a period of 56 years. Until Jan 4.

Barcelona

Caixa de Barcelona. Raoul Dufy. Works by the French fauvist, well known for his lively use of colour and interest in varied forms of art, are on show in Spain for the first time. The exhibit includes paintings, watercolours, drawings, ceramics and fabric design, belonging to private collections and museums. Ends 15 Dec.

Hanover

Sprengel Museum, Kurt-Schiwtters-Platz. Der blaue Reiter (The Blue Horse). this museum is displaying around 61 pieces from its own collections as well as some additional paintings on loan from East Germany and by other artists who belonged in the same Munich-based group. Works by Wassily Kandinsky, Franz Marc, August Macke, Alexej von Jawlensky, Gabriele Münter and Marianne von Werfekin can be viewed until Feb 11.

Cologne

Museum Ludwig, Bischofsgartenstrasse 1. The most comprehensive retrospective on Andy Warhol, who died in 1987, with around 160 pieces from New York. They can be seen only in Cologne until Feb 11. The retrospective includes works from the 1940s and 1950s as well as his famous portraits of Elvis Presley, Marilyn Monroe, Warren Beatty, and paintings based on advertisements.

Munich

Städtische Galerie im Lehnbachhaus. The most complete retrospective of the expressionist painter Karl Schmidt-Rottluff in date with almost 370 works from 70 private and public collections. After the Kirchner and Heckel exhibitions, this is the third significant project from one of the founding members of the Brücke group. Schmidt-Rottluff, who died in Berlin in 1976, was strongly attacked during the Nazi years.

Vienna

Museum for Applied Arts is hosting a large exhibition devoted to the works of Carlo Scarpa, the Italian artist and architect. The theme is focusing on "The Other City". Until Jan 15.

Museum for History. An exhibition of paintings by Arnulf Rainer, deemed to be one of Austria's most successful post-war artists, and who recently had an exhibition in New York. Ends Jan 28.

New York

Metropolitan Museum. A decade of fabulous shows borrowed from around the world culminates in the present exhibit of the major works of Velazquez, much of which is borrowed from the Prado in Madrid. Ends Jan 7.

Whitney Museum at Philip Morris. This exhibit of Isamu Noguchi's sculpture portraits justifies the proliferating vest-pocket galleries that have come to replace building lobbies in the 1980s: 23 pieces that mark a departure for the abstract sculptor, though rather abstract for the genre. Ends Dec 6. 42nd & Park.

National Academy of Design. More than 160 objects from the Fitzwilliam Museum in Cambridge are making their way round America, giving a sampling of objects and paintings, among them works by Titian, Peter Paul Rubens and Renoir, under the theme of the increase of learning and other great objects. Ends Jan 28.

Metropolitan Museum of Art. A major exhibit of the works of Canaletto brings alive scenes of Italy in its secular glory. Though many are familiar, the exhibit makes the artist's vision a breathtaking panorama with touching attention to detail. Ends Jan 21.

Museum of Modern Art. Covering only eight years, from 1907 to 1914, Picasso and Braque: Pioneering Cubism consists of more than 350 works of the two artists during their fruitful collaboration before Braque left for war. Ends Jan 16.

Centre for International Contemporary Arts. A new New York institution with the goal of cataloguing curatorial information about artists around the world opens appropriately with a retrospective of Japanese artist Yayoi Kusama. 57th & Fifth Av.

Washington

National Gallery. Almost three dozen paintings of the early 20th century German movements, Bauhaus, Neue Sachlichkeit and Blaue Reiter, lent by the Thyssen-Bornemisza collection, make a telling commentary on a part of the world again at the centre of attention internationally. Ends Jan 14.

Hirshhorn Museum. The first retrospective in America in a quarter century celebrates Francis Bacon's 80th birthday with a comprehensive review of his prolific career. The three-city US tour begins here with 60 works, a surprisingly large number of which are highlights of contemporary art. Ends Dec 7.

Tokyo

Idemitsu Museum. Flowers of Edo. Paintings and prints of flowers from the Edo Period represent a new flowering in Japanese art, influenced both by new trends in the decorative arts of China and by the botanical illustrations of Europe. Closed Mondays.

Teien Museum, Meguro. Yasuo Kuniyoshi. Retrospective to mark the centenary of a Japanese artist who emigrated to the US as a teenager. His earlier work is glum and faux-naïf, but in his last decade his palette was liberated and he produced a remarkable series of grotesque images of clowns and carnivals.

Odakyu Gallery (Odakyu Department Store) Shinjuku. Kiyomizu Temple Exhibition. The temple, founded in 778, is one of the most popular in Kyoto and has a superb collection of Buddhist images and paintings — many of them in this exhibition. Ends Dec 10.

MUSIC

London

The Chamber Orchestra of Europe, conducted by Sandor Végh, with András Schiff (piano). Bach, Beethoven, Mozart, and Schubert. Barbican Centre. (Fri) (638 8891)

James Galway, (flute), and Phillip Moll (piano), in a 50th birthday recital. Dvorák, Fauré, Débussy, and Ravel. Barbican Centre (Sat) (638 8891).

London Symphony Orchestra, conducted by Walter Weller, with Annie Fischer (piano). Wagner, Schumann, and Strauss. (Sun) Barbican Centre (638 8891).

The Chamber Orchestra of Europe, conducted by Claudio Abbado, with Maria Ewing (soprano/narrator). Rossini, Beethoven, Prokofiev, and Haydn. (Mon) Barbican Centre (638 8891).

Paris

Simon Estes recital (Mon). Salle Gaveau (45632030).

Ensemble Orchestral de Paris – Kammerensemble de Paris conducted by Jean-Claude Bouveresse. Mozart, Holst, Richard Strauss, Tchaikovsky (Tue). Salle Gaveau (45632030).

Orchestre de Paris conducted by Carlo Maria Giulini, with Jard van Nes and Keith Lewis. Haydn, Mahler (Wed, Thur). Salle Pleyel (45630796).

Amsterdam

Orchestra of the 18th Century conducted by Frans Bruggen, with Vera Beths (violin). Mozart, Beethoven (Fri). Concertgebouw (718 345).

Royal Concertgebouw Orchestra conducted by Klaus Tennstedt, with Kyung-Wha Chung (violin). Beethoven, Schubert (Sat). Concertgebouw (718 345).

Royal Concertgebouw Orchestra with massed choirs and vocalists, conducted by Charles Dutoit. Messiaen, Ravel (Thur) (718 345).

Brussels

Anna Balakerskaya (piano) and Dimitri Berlinsky (violin) play Beethoeven, Szymanovsky, Tartini, Tchaikovsky, Ysaye. Palais des Beaux-Arts (Fri).

Milan

Paul Tortelier and Nikita Magaloff. Beethoven, Rachmaninov, Bach and Chopin (Wed). Conservatorio G. Verdi (76001755).

Rome

Yefim Bronfman (piano). Haydn, Schumann, Chopin and Brahms (Wed). Teatro Olimpico (393304).

Frankfurt

Frankfurt Radio Orchestra conducted by Raymond Leppard. Britten, Schumann and Sibelius (Fri). Alte Oper.

City of Birmingham Symphony Orchestra conducted by Simon Rattle. Mahler's 6th symphony (Sun). Alte Oper.

Maurizio Pollini piano recital. Schubert, Liszt (Wed). Alte Oper.

Cologne

Ludwig Guettler and Virtuosi Saxoniae. Bach, Vivaldi, Locatelli, Pisendel and Mozart (Sat). Philharmonie.

Maurice André (trumpet) and Hedwig Bilgram (organ). Bach, Bodin de Boismortier, Buonaventura Viviani and Albinoni (Thur). Philharmonie.

Berlin

Berlin Philharmonic Orchestra conducted by Bernard Haitink and soloists Irena Grafenauer, Maria Graf. Beethoven, Mozart (Sat, Sun). Philharmonie.

Madrid

Israel Philharmonic Orchestra conducted by Zubin Mehta, with Gila Beshari (contralto). Kopytman, Ravel, Dvorak (Sat); Bruckner (Sun). Auditorio Nacional de Musica (337 01 00).

Tokyo String Quartet. Mozart, Schubert, Beethoven (Tue). Auditorio Nacional de Musica (337 01 00).

Stuttgart Chamber Orchestra conducted by Martin Sieghart.Vivaldi, Mendelssohn, Tchaikovsky (Thur). Auditorio Nacionalde Musica (337 01 00).

Barcelona

Tokyo String Quartet. Mozart, Ravel, Beethoven (Mon).Palacio de la Musica Catalana (301 11 04).

Israel Philharmonic Orchestra conducted by Zubin Mehta, with Gila Beshari (contralto). Kopytman, Ravel, Dvorak (Wed). Palacio de la Musica Catalana (301 11 04).

New York

New York Philharmonic conducted by Giuseppe Sinopoli. Bruno Cerchio, Ravel, Mussorgsky-Ravel (Tue); and with Gil Shaham (violin). Mussorgsky, Paganini, Schumann (Thur). Avery Fisher Hall (874 6770).

Armenian Philharmonic conducted by Loris Tjeknavorian with Andre Watts (piano). Khachaturian, Rachmaninov, Shostakovich (Thur). Carnegie Hall (247 7800).

New York Philomusica Chamber Ensemble directed by Robert Johnson. Mendelssohn, Dohnanyi (Thur). Merkin Hall (362 8719).

Washington

American Chamber Orchestra conducted by William Yarborough. Bach programme (Mon). Kennedy Center Terrace Theater.

Chamber Music Society of Lincoln Center directed by Fred Sherry. Bach, Mozart, Takemitsu, Mendelssohn (Wed). Kennedy Center Concert Hall (467 4600).

National Symphony Orchestra conducted by Gary Bertini with Rudolf Buchbinder (piano). Beethoven, Mahler, Bartok (Tue, Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Gennady Rozhdestvensky. Shostakovich programme (Tue); and conducted by Leonard Slatkin with Elmar Oliveira (violin). Erb, Barber, Haydn, Ginastera (Thur). Orchestra Hall (435 6666).

Tokyo

Deutsche Bach Ensemble conducted by Wolfgang Gönnenwein. Handel's Messiah (sung in German) (Mon); Mozart Requiem (Wed). Suntory Hall (505 1010).

Leipzig Gewandhaus Orchestra conducted by Kurt Masur. Beethoven. Suntory Hall (Tues) (505 1010).

Berlin String Quartet with Kazuko Nagatomi (piano). Mozart Schumann, Komei Abe. Tokyo Bunka Kaikan, recital hall (Wed) (293 7550).

NHK Symphony Orchestra conducted by Hiroshi Wakasugi, with Anne Fournet (soprano). Honnegar: *Jeanne d'Arc au Bucher*. NHK Hall (Thur) (465 1780).

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding summertime fare (734 8951, cc 836 3428).

A Little Night Music (Piccadilly). Fine revival by Ian Judge, imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

M. Butterfly (Shaftesbury). Peter Egan has taken over from Anthony Hopkins as the tortured diplomatic hero in a Peter Shaffer-style "spectacle of ideas" dressed up in John Dexter's superb production as a metaphor of homosexual life. The transvestite tragedy proves less electrifying than in New York; the play is not very good but still worth seeing (379 5399).

Aspects of Love (Prince of Wales). Andrew Lloyd Webber's latest is an intimate chamber operetta derived from David Garnett's 1955 novella. Musically interesting and well directed by Trevor Nunn, a cast of unknowns project the right sense of sybaritic insouciance. A probable, but unspectacular, hit (839 5972).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Lend Me a Tenor (Royale). A sprucing up in the set of a decaying town's big time opera ambitions makes a transatlantic hit of this farce, first produced in London, but now with a local cast led by Philip Bosco and Victor Garber (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of a three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

A Christmas Carol (Goodman). For the 12th year, the Goodman company does its holiday thing, with William J. Norris as Scrooge for the 11th year, but a new director, Steve Scott, and new adaptation by Tom Creamer promise to refresh the familiar. Ends Dec 30 (443 3800).

Tokyo

Kabuki. At the National Theatre (265 7411). *Hokaibo* (also known as *Sumidagawa*). Living National Treasure, Baiko, leads a top-rank cast in a lively lowlife piece about a con-man who disguises himself as a priest. At Kabuki-za (541 3131): two mixed programmes, at 11am and 4.30pm, featuring mainly younger kabuki actors. Both theatres have helpful English programmes and earphone commentary. (Visitors to Kyoto should note that there are also all-star kabuki performances this month at the Minami-za Theatre, before its demolition).

Kokumenya Gassen. New play written and directed by Hideki Noda, loosely based on a famous puppet play by Chikamatsu. An exuberant comic-strip travesty of Japanese myth and history, with brilliant Pop Art sets and lots of colour and movement. The verbal humour may be beyond most non-Japanese, but this is nevertheless a most enjoyable production. Ginza Saison Theatre (5478 0771).

Bunraku. The sophisticated puppet theatre is a major element in Japan's cultural heritage. At 5pm: extracts from *Yoshitsune Senbonzakura (The Thousand Cherry Trees)*, a historical drama of mediaeval times. At 11am and 2pm: *Beike Nyogo ga Shima*, by Chikamatsu Monzaemon, sometimes called the Shakespeare of Japan. Preceded by a lecture/demonstration. Since the matinees are intended mainly for schoolchildren, expect the audience to be boisterous.

ARTS

Gilded wooden relief work on sanctuary doors; 16th century

Russian icons at the Vatican

Opening during a month in which the Berlin Wall fell and in which a Soviet president sets foot in the Vatican for the first time, the exhibition of over 100 Russian icons at the Braccio di Carlo Magno is heavy with political as well as artistic and spiritual significance.

Rome was chosen as a venue because of the Gorbachev visit this week. Last year Pope John Paul II welcomed the head of the Russian Orthodox Church to the Vatican to mark the 1,000th anniversary of Russia's conversion to Christianity. This year the Pope visited this exhibition wreathed in smiles; he could hardly have expected events to move so fast.

Organised jointly by the head of the Vatican museums, the Soviet Ministry of Culture and the Italy-USSR Association, and sponsored amongst others by successful capitalist organisations such as IBM, the Banco Ambrosiano Veneto and Tecnagro, a non-profit-making agricultural consortium of state and private industry, the exhibition offers 107 icons of superb quality, dating from the 13th to the 18th century; three elaborately carved pairs of sanctuary doors; and seven 16th century pieces of embroidery, worked on silk with gold and silver thread and decorated with pearls.

The Braccio di Carlo Magno, which links the left arm of Bernini's colonnade to the façade of St. Peter's, forms a sombre but splendid setting: 100 metres long and only ten wide, the icons have been placed at eye-level on either side of black screens placed at angles down the centre of the gallery. Beautifully lit, they have been arranged not chronologically but according to subject matter.

Amongst the group of saints, all extraordinarily vital and individual, is one of the earliest renderings of the "holy fool" St. Basil, who was canonized in 1588. Part of a peculiarly Orthodox phenomenon, personifying the social conscience conspicuously lacking amongst the Tzars, St. Basil went so far as to accuse Ivan the Terrible of cruelty, and beat him before a delighted crowd. He is depicted naked, as was traditional for this particular branch of sainthood, with quaint anatomical details which suggest he is facing front and sideways at the same time.

Lent by some 20 museums, including the Russian Museum in Leningrad and the Moscow Museum of History, most of the icons on show have been restored recently at the Grabar Institute in Moscow. The clarity of the colour is astonishing: vivid pinks, scarlets and deep sage greens, glowing on the traditional golden background.

Some of the most interesting and earliest of the icons have never before been out of Russia. The 13th-century Madonna of Kuben, of which only the central panel remains, painted in the sombre colours peculiar to the earliest icons, is mesmerising with her solemn, dark and heavily-shadowed eyes: the child pressing its head lovingly against her cheek getting no response (a characteristic of the Byzantine icon).

The golden period for Russian icons was between the end of the 13th century and the beginning of the 16th, when Byzantine roots were shed and the major Russian schools of Kiev, Moscow, Novgorod and Pskov were founded. Each has a distinctive style: the liveliest is the Pskov, and particularly delightful is the 15th century birth of Christ, where the Virgin reclines in her scarlet hammock surrounded by a wealth of bucolic detail. The Novgorod is intensely dramatic, while the Moscow school is the most profound in religious feeling and startlingly modern in conception. Two notable examples are a spectacular 16th century transfiguration, with the startlingly foreshortened sleeping apostles in the foreground, and an unusually tender and relaxed Madonna, dated about 1550.

The exhibition continues until January 30.

Jennifer Grego

Playing With Trains

THE PIT, BARBICAN

In his last stage play, *Breaking the Silence*, Stephen Poliakoff sketched a Russian Jewish emigré family on a train; the engineering father spent his spare time inventing lenses for the coming cinema age. The make or break wheeze of Bill Galpin, a Nottingham electrical engineer, in *Playing With Trains* is a network of road rail vehicles, little "snouters," which can perform like Land-Rovers and beetle around Africa.

This paradigm of the dotty scientist whose inventions are despised in a society sceptical of technology bears an obvious relationship to Clive Sinclair and his doomed fleet of C5 personal vehicles. But Poliakoff elaborates the model to propose an epic drama involving a ruinous defence of a libel suit in the High Court, a running battle with two children in whom Galpin takes less interest than in his protegés, misfired property schemes, and an attack on the reluctance of big business to support the ideas wallahs.

Michael Pennington's lean and self-obsessed boffin manipulates the media to promote his wares and, incidentally, his wider views. Early success with an automatic turntable invention has led to other devices such as inter-connecting anglepoise lamps and oven gloves with holes in. Galpin's anguished point is that Britain lost the initiative with the jet engine, penicillin, the computer, even an early form of Lego.

Analogies proliferate in a stone-walling scene with a smooth investment executive (Ralph Fiennes). This piece does not look like a nerve-centre of research and development says Pennington, eyes raking the dismal Pit. Invention is dying here because no-one will take the decisions. The outside world senses only internal shambles; but things will soon change for the better.

Ironically, Galpin's arguments prompt an explanation in court of Rachmaninov, taking us straight back to Peter Flannery's *Singer* in the Swan, the best play of the year, in spite of all its imperfections, but one to which Poliakoff honourably relates. There are marvellous scenes here between father and children, both of whom drop science and engineering in favour of accountancy and art college. Lesley Sharp and Simon Russell Beale translate, at last, their striking resemblance to each other into sibling profitability.

Alastair Muir

Mark Lewis Jones, Ralph Fiennes and Michael Pennington

Ron Daniels' efficient production, moving across two decades punctuated with evocative pop music, keeps the dialogue bubbling and is good at charting the painful twists as Frances and Danny grow up and apart from their father. Smartly glib superficiality, and a relish of the material evidence of human pain in the environment, have long been Poliakoff trademarks. He provides new beautiful horrors in the sight of a bride surrounded by beat pumps and dwarf kidney machines to impress prospective clients on her big day; and in Kit Surrey's mountainous pile of discarded appliances and handy aids that have immunised Galpin, finally a Howard Hughes recluse, against the claims of the heart.

Pennington's very fine, wolf-like, keep-fit performance also describes the tragedy of a man who cannot open his mouth without preaching a false gospel and sounding like a crazy quack.

Michael Coveney

Invisible Friends

STEPHEN JOSEPH, SCARBOROUGH

Most of Lucy's house appears in the design by Juliet Nichols and Geoff Keys – the kitchen, the living-room, a couple of bedrooms, and we are going to need all this. Lucy's mother cares more for gossip than Lucy's selection for her school swimming team, her father cares only for television, her brother Gary cares for nothing but what comes through his Walkman.

So Lucy, a genuinely girlish Emma Chambers, confides in her imaginary friend Zara, a reliably friendly invention, named no doubt after the Princess Royal's daughter. Lucy is a great inventor, and sometimes we are shown a brief moment of her family life as she would like it; but it doesn't last. What she really wants happens when a theatrical thunderstorm brings an actual Zara into the house.

Alan Ayckbourn concedes that this play is partly directed at adults, and we will see at once that Zara (Jennifer Wiltsie) is trouble. She is bigger than Lucy, bossy even when doing favours, and unkind in her choice of mischief, as when she spoils Father's and Gary's breakfasts by magically confusing cornflakes and crispies. But Lucy goes along with all this, and is delighted when Zara makes the family disappear.

Not, though, when Zara brings her own family in instead, a superficially kind father and an unGaryish brother. A couple of days with this lot is enough. Lucy is deprived of her own bed, made to play impossible games like Snap with the cards upside-down, expected to do endless cooking, ultimately locked out of the house. But Zara had once told her that you can make anything happen if you believe in it strongly enough (a principle that Lucy demonstrates by getting the kids in the audience to make a vase move by itself).

So Lucy believes her family back again (it brings on a handy faint) and returns Zara's to imagination. Mum, Dad and Gary are now delighted about the swimming team, in their different ways, and a sort of *normal life resumes*. My guess is that Lucy will believe in Zara again pretty soon, for though Emma Chambers is sweet, Lucy is a normally naughty girl, sentimentality not being an Ayckbourn weakness.

All the characters in this play are pretty uncharming, but they are all interestingly funny. We do not learn where Lucy's family disappeared to, but if it mattered the author, whose direction is matchless, would have told us. When Zara's family disappear they turn into ambulance workers, and serve them right.

B.A.Young

Gipsy Kings at Wembley

Anyone who ever felt ashamed of singing "Torre-MOLINOS," let alone laughing at their partners' unstable version of "The Birdie Song," recovered their critical reputation at Wembley on Wednesday by thoroughly enjoying the Gipsy Kings. Here was Spanish (or rather French Provençal) music made respectable by the pukkha ethnic credentials of its creators, a family of gipsy guitarists who still retain enough Costa chutzpha to bring back memories of Pepe's Bar and that night we all got legless on sangria.

The global success of the Gipsy Kings is a great pop phenomenon of the last two years. In fact the music of Spain, mainly that of the Ibiza and Benidorm discos, has always had a knock on effect on pop winters in Britain. The key to the Kings was that they began as a cult secret among Spanish freaks, who admired their traditional rhythms, and were then taken up by everyone who has enjoyed their two packaged weeks in the sun. The fact that the band comes from the south of France seemed to make it even more Right On.

Their music is a curious blend of the most hackneyed old pop songs, notably an increasingly frenzied version of "My Way," or "A Mi Manera" in their dialect, and the awful "Volare," with instrumentals which draw deeply on entrenched Flamenco roots. The Arabic influence North Africa also comes across strongly.

The band, six flashingly handsome guitarists backed by thumping percussionists and a synthesiser, does not go in for great showmanship. But when the Kings are stomping away like the clappers, notably on their encore number "Bamboléo", a winter Wembley effortlessly transforms itself into a Spanish beach bar. The impact wears off rapidly but the Gipsy Kings created a minor rhythmic upsurge in the bodies of the Suits never approached by Troise and his Bandoliers.

Antony Thorncroft

Solti, Inbal

FESTIVAL HALL

Two successive concerts – the London Philharmonic's under Georg Solti on Tuesday, and the Philharmonia's under Eliahu Inbal on Wednesday – featured Chaikovsky symphonies as their main offerings. Both performances raised questions about matters of Chaikovsky style that neither answered satisfactorily.

The Fifth (in the Philharmonia concert) and the Sixth (in the LPO) are still the most often performed works in the regular repertory, yet one waits – almost always in vain – for conductors who will probe beneath the high-Romantic surface, who will interpret their many score-markings with more than incurious literalism.

Chaikovsky was essentially a dramatic composer, and a composer whose dramatic structures are articulated in terms of melody. If the performances don't sing, with the genuine lyrical amplitude and spontaneity implied by the copious score indications, then the structures don't grow, and the symphonic drama remains a matter of melodramatic imposition. Solti's *Pathetic* is long-familiar to London audiences, yet on Tuesday it still came as a shock to be reminded just how essentially unidiomatic his interpretation remains: high-powered, short-breathed, and, ultimately, superficial.

Sforzando accents are slammed home. Rhythms are militantly precise, without lightness or spring. Orchestral colours are bright but shallow. Above all, the conductor seems incapable of making the lines sing; their contours are clipped, denied any possibility of expansion. Inbal and the Philharmonia – a partnership recently, and rewardingly, renewed: all during Wednesday's concert the playing was full of vitality – gave fitful hints that a flexible reading of the Fifth was not wholly beyond their ken.

The slow movement, marked "con alcuna licenza," was tenderly "breathed," to begin with, and the inflections of the horn soloist seemed to guide the unfolding of the music; but here, and indeed in all four movements, real growth was never achieved, because whenever climaxes were in view the heat was on, pressure was applied, and noise and force were suddenly substituted for grandly shaped symphonic drama. It was an *erratic Fifth*, and *therefore* a disappointment.

Is it perhaps time the "authentic" movement laid hands on Chaikovsky?

In the first half of the LPO concert, Solti (later to be presented with the Royal Philharmonic Society medal) gave an impressively trim, *sharp-cut account* of the Shostakovich Ninth Symphony, a work whose bitter-edged comic ironies and underlying nervous intensity are evidently congenial territory for this conductor. The Philharmonia opened with a glittering Rimsky-Korsakov *Russian Easter Festival Overture*, and then provided clean-lined accompaniment to Thomas Zehetmair's playing – with rather too much sketchy intonation and wide, throbbing vibrato to start with, nimble and sensitive in the finale – of the still grievously underrated Dvorak Violin Concerto.

Max Loppert

Elliot Carter and Matthus's 'literary opera' performed in Turin

Each year, Turin's annual music festival honours a contemporary composer with concerts and a book about him: Ligeti, Henze, Nono, and Xenakis in past years, and this year Elliott Carter. The Carter book, edited by Enzo Restagno (festival director, with Roman Vlad), contains a very long interview – Restango a keen questioner – and an ample anthology of Carter writings.

The Arditti played the four string quartets; the RAI Turin Orchestra, conducted by Farhad Mechkat, played the Double Concerto and the Concerto for Orchestra; the Emilia-Romagna Orchestra, conducted by Giampiera Taverna, played the Piano Concerto and the Symphony of Three Orchestras; and the Ensemble Intercontemporain, conducted by Peter Eötvös, played *Penthode* and the Elizabeth Bishop and Robert Lowell song cycles. The Brass Quintet, *Night Fantasies*, and *Esprit rude/Esprit Doux* formed chamber intermezzos in the programmes.

In America, Carter's orchestral music is played sometimes with skill and sensitivity but more often with a kind of grudging, unconvinced professionalism. And it is played seldom. In Turin, it was played joyfully, to responsive audiences. The Emilia-Romagna Orchestra, young and vital, gave a lyrical, exuberant account of the Symphony, stressing its picturesque, colourful aspects. The soloist in the Piano Concerto was Charles Rosen – a masterly, lucid, and satisfying interpreter.

At the Ensemble Intercontemporain concert, the soloists were Rosemary Hardy and Peter Hall. Both are capable musicians, "instrumentally" accurate, impressive; but neither conveyed the sense and spirit of the *poems*. *Penthode*, now a repertory piece for the Ensemble, was brilliantly and mellifluously done. I'd have liked more personal character in the viola line that starts it off, but perhaps the player, Garth Knox, had read the interview, in which Carter says he does not want too much "expressivity" here.

There were 54 concerts in all, across 25 days. The French Revolution – expanded to embrace pre- and post-revolutionary scores – formed a second theme: Cherubini's D-minor Requiem, Gossec's Te Deum, wind music. In Javarra's resonant Carmine, I heard the Gilles Requiem, newly prominent this year, in a fervent performance by the Chorus and (original-instrument) Orchestra of Turin's Accademia del Santo Spirito.

Gilles's score, first heard at his own funeral (1705), was reworked through the century for several major exequies, culminating in those of Louis XV (1774). Sergio Balestracci, who conducted the Turin performance, had edited the version expanded,probably by Michel Corrette, for Rameau's funeral (1764) with an elaborate Kyrie built on Rameau themes and a beautiful Pie Jesu for soprano. Cristina Miatello was a shining soloist.

In the Lingotto – Renzo Piano's transformation of the famous Fiat factory into performance spaces – the D'Annunzio *Cabiria* was projected with the Pizzetti score played live by the Orchestre National d l'Ile de France. Cavalieri's *Rappresentazione di anima e di corpo* was staged in the Carmine.

In the Teatro Nuovo the Laboratorio Lirico di Alessandria presented Siegfried Matthus's opera *Cornet Christoph Rilke's Song of Love and Death*, the piece he wrote for the reopening of the Dresden Opera House four years ago.

Cornet Rilke can be grouped with the other much-played "literary" operas of our day – Rihm's *Jakob lenz*, Bose's *Werther* – not calling for large forces. There are six singers, eleven players, and a chorus that can be scaled to the circumstances of the production.

In Alessandria's Teatro Comunale *Cornet Rilke* was a spectacle with a big chorus, supers, and soldiers from the local XXI Battalion. It was played as if by a band of battle-worn soldiers, homeward-bound, passing a night in a burnt-out theatre: one of them starts reading Rilke's prose-poem, and theatre ghosts take over to give form to the Cornet's chivalric adventures. The Turin performance was in concert form, but it was easy to imagine the dramatic impact that the opera might have.

In the 1914-18 War, Rilke's poem inspiringly accompanied many a young German to battle. But Matthus has given it an "anti-militaristic" reading and has framed the high gallantry within a Dies Irae. His protagonist is a mezzo-soprano – a dashing young Cherubino gone to war.

The work is less a conventional opera than a prose-poem musicked toward operatic form. The music – built on a 8-note scale of semitones and minor thirds – is arresting. The unconventional band – flute quartet, two harps, solo. horn, three percussions, bass guitar – is effectively used. One or two numbers go on too long.

The Laboratorio does good work. Will Humburg conducted with ardour. Rosanna Mancarella and Claudia Eder, in the divided title role, were excellent. But it was a mistake, diminishing to the opera, to sing it, to an Italian audience, in German.

Andrew Porter

ARTS GUIDE

December 1-7

OPERA AND BALLET

London

Royal Opera, Covent Garden. Further performances of the new production of *Idomeneo* by Johannes Schaaf, conducted by Jeffrey Tate.
English National Opera, Coliseum. Richard Jones's witty, deadpan, offbeat production of Prokofiev's *Love for Three Oranges* comes to London from Opera North, where it was a huge hit. David Atherton conducts, and the cast includes Jane Eaglen, Alan Woodrow, Bonaventura Bottone, Lesley Garrett, and Donald Maxwell. Further performances of the triumphant new David Freeman production of Monteverdi's *The Return of Ulysses*, conducted by Paul Daniel, with Anthony Rolfe Johnson (giving the great performance of his career), Jean Rigby, Sally Burgess and Laurence Dale; and of the *Madame Butterfly* revival, which brings back Janice Cairns to the title role and introduces to London the American conductor Antonio Pappano.
Royal Ballet (Covent Garden) presents *Swan Lake* (Fri); and a triple bill (Sat, Tues).
London Contemporary Dance Theatre ends a season ot Sadler's Wells on Saturday.

Paris

Opéra. A Balanchine – Robbins programme to the music byTchaikovsky, Prokofiev, Chopin and Stravinsky is performedby the Paris Opéra stars and ballet corps accompanied bythe Paris Opera Orchestra conducted by Michel Tabachnik (47425371).
Théâtre des Champs Elysées. *Prodromides: La Noche Triste* conducted by Arturo Tamayo in co-production with the Opera deNancy el de Lorraine in Antoine Bourseiller's production(Wed) 47203637).
Chatelet. Frankfurt Ballet presents *Impressing the Czar* in William Forsythe's choreography (40282828).

Amsterdam

The Netherlands Opera present *Don Pasquale* by Donizetti, directed by Renate Ackerman. Carlo Rizzi conducts the Netherlands Philharmonic, with Henk Smit in the title role, Wendy Hill (Norina).
Nederlands Dans Theater with a new ballet by Jiri Kylian, *Shaker Loops* (Van Manen/Adams) and *Raptus* (Duato/Wagner), Muziektheater (255 455).

Brussels

Cirque Royal. The Accademia Lirica Arturo Toscanini of Milan performs *Madame Butterfly* staged by Eliane Bemaison and conducted by Giorgi Notef (Fri, Sat). Halles de Schaerbeek.
The Philip Glass Ensemble in Philip Glass' *One Thousand Airplanes on the Roof* directed by Jerome Sirlin and conducted by Martin Goldray (Fri, Sat).
Théâtre Royal de la Monnaie. The Monnaie Opera in Schubert's *Fierrabras* (concert version) with Richard Cowan, Robert Holl, Tina Kiberg (Tues). The Monnaie Dance Group Mark Morris in *L'Allegro, Il Penseroso e Il Moderato*, music by Handel, choreographed by Mark Morris. Craig Smith conducts the Monnaie Symphony Orchestra (Sat, Wed, Thur).

Antwerp

De Singel. Transparent Chamber Orchestra in Telemann's *Der Schulmeister* and Scarlatti's *La Dirindina* staged by by Hugo Segers with John Dur (bass), Kevin Greenhaus (baritone), Steve Dugardin (counter-tenor). Fri, Sat, Sun. Stichting Operette Zeeland in Lehar's *De Graaf van Luxemburg*, directed by Hugo Segers and conducted by Hans Swinnen (Thur).

Berlin

Opera. *Don Giovanni* will be conducted by Heinrich Hollreiser.This weeks performances also include *Madame Butterfly*, the ballet *Romeo et Juliet* and *Die lustigen Weiber von Windsor*.

Hamburg

Opera. *Zar und Zimmermann* has fine interpretations by Kurt Moll, Kurt Streit, Franz Grundheber, Peter Galliard and Gabriele Rossmanith. *Eugen Onegin*, sung in the original language, features Olive Fredricks, Gabriela Benackova, Daphne Evangelatos, Wolfang Brendel and Hans Peter Blochwitz. A gala *Tosca* performance starring Mara Zampieri, Placido Domingo, Eva Maria Tersson and Franz Grundheber, is conducted by Miguel Gomez Martinez. *La Bohème* has a strong cast led by Francisco Araiza, Miriam Gauci, Gabriele Rossmanith and Franz Grundheber.

Bonn

Opera. The two ballets, *Der Nussknacker/Spartakus* are bothchoreographed by Youri Vamos.

Frankfurt

Opera. *Parallax* has wonderful William Forsythechoreography. *Tosca* is revived with a first-rate cast led by Galina Kalinina, Alberto Cupido, Alain Fondary and Kimberly Barber, conducted by Imre Pallo. *Il Barbiere di Siviglia* is a well done repertoire performance. Further offered *Cosi fan Tutte* with a new cast led by Margaret Marshall, Mitsuko Shirai, Christopher Robertson, Hans PeterBlochwitz and Gregory Yurisich. *La Bohème* has Eliane Coelho making her debut as Mimi.

Cologne

Opera. *Hänsel und Gretel* returns with Machiko Obata andMarijke Hendriks as leads. *Die Zauberflöte* is sung by Susan Burghardt, Teresa Ringholz, Dieter Schweikart and Randall Outland. *Faust* stars Josef Protschka in the titlerole.

Stuttgart

Opera. *Lieder eines fahrenden Gesellen*, choreographed byMaurice Bejart, danced to music by Gustav Mahler. *Elektra* in Harry Kupfer's production features Anny Schlemm, Deborah Polaski and Irmgard Stadler.

Madrid

Teatro Lirico Nacional la Zarzuela. Montserrat Caballe recital. Programme includes Vivaldi, Handel, Rossini, Massenet, Serrano, Chapi (Mon).
Bat-Dor Dance Company. Under the artistic leadership of Jeannette Ordman, this Israeli company presents e series of performances distinguished by very up-to-dats choreography, "Bat-Dor" meaning conteporary in Hebrew.

Barcelona

Opera. *Adriana Lecouvreur*, co-produced by the Teatro AllaScala and Teatro Comunale, features Mirella Freni and Placido Domingo, Romano Gandolfi conducts. Gran Teatre del' Liceu(318 91 22).

Rome

Teatro dell'Opera. Verdi's *Falstaff* in Beni Monstresor's production, which gives the opera the unlikely setting of the Italian Po Valley, conducted by Evelino Pido. Juan Pons sings the title role on Saturday, to be replaced by Paolo Gavanelli on Wednesday (46.17.55).

Milan

Teatro alla Scala. Season opens with Verdi's *I Vespri Siciliani* in Pier Luigi Pizzi's production conducted by Riccardo Muti. An excellent cast includes Chris Merrit, Cheryl Studer, Paata Burchuladze and Giorgio Zancanaro (80.91.26).

Bologna

Teatro Comunale. Werner Herzog's production of Verdi's *Giovanna d'Arco*, with a fine cast led by Susan Dunn as Joan, the Verdi veteran Renato Bruson as Giacome and Vincenzo la Scola as Charles VII, conducted by Riccardo Chailly. Sets and costumes are by Henning Vongierke, who worked with Herzog on *Lohengrin* at this year's Bayreuth Festival (523999).

New York

Metropolitan Opera. *Les Contes d'Hoffmann* continues, conducted by Sylvain Cambreling in Otto Schenk's production with Ruth Welting, Judith Blegen and Luis Lima. Johanna Meier sings the Empress and Janis Martin is the Dyer's Wife in *Die Frau ohne Schatten* in Nathaniel Merrill's production, conducted by Christof Perick. Leona Mitchell sings the title role in *Aida* with Dolora Zajick as Amneris and Sherrill Milnes as Amonasro in Sonja Frisell's production conducted by Christian Badea. Lincoln Center Opera House (362 6000).
New York City Ballet. *The Nutcracker* takes up the holiday season until Dec 31. New York State Theatre, Lincoln Center (870 5570).

Chicago

Lyric Opera. Frederica von Stade sings Rosina with Frank Lopardo as Count Almaviva and Thomas Allen as Figaro in Roberto De Simon's production of *The Barber of Seville* conducted by Alessandro Pinzauti. Kiri Te Kanawa continues as Elisabeth, Tatiana Troyanos is Eboli and Samuel Ramey *is Philip II in Sonja Frisell's production of Don Carlo*, conducted by James Conlon. Lyric Opera (332 2244).

Tokyo

Tokyo Ballet. *Don Quixote* in the Nureyev production, with Yoko Morishita and Tetsutaro Shimizu. Tokyo Bunka Kaikan (Thur) (443 0201).

SALEROOM

Record for Picasso in Paris

Paris re-established itself as an important international art centre yesterday when Maitres Binoche et Godeau sold "Les Noces de Pierrette" (Pierrette's Wedding) by Picasso to the Japanese amusement park and motor racing circuit owners Autopolis for FF 315m, which, when translated into devalued sterling, at £31.5m, makes it a world record for any work of art at auction. But when converted into dollars, the accepted currency for important pictures, at \$51.89m, it just misses out to Van Gogh's "Irises" which was bought by Alan Bond in 1987 for \$53.9m.

But, again, the buyer's premium in Paris is 5 per cent, as against 10 per cent at Sotheby's, so the hammer price for "Les Noces" in dollars is marginally higher, at \$49.42m compared with the \$49m hammer for "Irises." As far as the buyer is concerned Mr Bond still paid the most. The previous record price for a Picasso was the \$47.85m paid last season in New York for an early self portrait.

After the sticky time that other significant paintings by Picasso have experianced in New York and London in recent weeks the sale is a notable achievement. The painting dates to 1905, shortly after Picasso settled in Paris, and reflects his obsession with the circus. Once again he depicts himself as a love crossed Harlequin. It is credited to his Blue Period but reveals the first signs of Cubism.

"Les Noces," an odd shaped 114 cm by 195cm, has just been put in a 17th century Italian frame by Georges Bac. It was sold by a Swedish lawyer (who acquired it last year for just £2.5m) and was given special permission to leave France if bought, as seemed likely, by a Japanese. The under bidder was a French dealer, Odermatt.

Binoche et Godeau had rigged up a satellite video transmission with Tokyo and the bidder was in the saleroom there. Although not known as a big buyer of modern pictures, Autopolis does own one of the corporate museums common in Japan. The other part of the auction, 26 works from Andy Warhol's "Ladies and Gentlemen" series, did less well, many going below estimate.

Sotheby's held its best ever contemporary art sale in London with a total of £15.5m and only 6 per cent unsold (largely due to the failure of a tiny portrait head by Lucian Freud). A completely blue canvas by Yves Klein made a record £1.056m and Leslie Waddington paid £1.012m for a spectral figure by Dubuffet. There were records for Fontana, Pollakoff, Jorn and Tinguely and an early Bacon of 1933 went way above forecast at £550,000.

Antony Thorncroft

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Business

TECHNOLOGY

Electronic surveillance is helping retailers to fight shoplifters, write **Paul Abrahams** and **Bob Vincent**

Mobilised to catch a thief

Christmas may be the season of goodwill to all men, but for UK retailers the impending winter is beginning to look bleak. "Margins are beginning to get squeezed," explains John Richards, a retail analyst at County NatWest in London. "Sales are slowing down at the same that uncontrolable costs, such as rents, rates and staff salaries, are continuing to rise."

Retailers' woes are increased by the fact that many customers will be taking advantage of the festive season to obtain their Christmas goodies by stealing them. Shrinkage – the retailers' term for shoplifting, together with staff theft, clerical errors and other unexplained loss of stock – is increasing. Touche Ross, the London-based accountants, estimates that shrinkage cost UK retailers £1.8bn last year. This year the figure could reach £2bn. Marks and Spencer, the UK retailer, admitted in 1986 that it lost £52m a year through shrinkage.

However, a number of companies offering electronic article surveillance (EAS) equipment believe that their systems can reduce customer theft. And they argue that reductions in such crime can have a marked effect on the profits – particularly in the present poor economic climate.

"If a retailer has margins of 5 per cent and is losing 2.5 per cent of its stock through shrinkage, electronic article surveillance technology can halve the retailer's losses and by doing so add 20 per cent straight on to the bottom line," claims Ralph Kanter, group managing director of Britannia Security, the UK company that owns Actron, one of the leading EAS equipment manufacturers. "The problem," says Kanter, "is that companies are split over whether to spend money improving their margins by investing in EAS technology or to invest in advertising in an effort to increase their turnover."

EAS equipment is based on three competing technologies: radio frequency, microwave and electromagnetic. Radio frequency systems are the most popular, with about 50 per cent of the US market.

A radio frequency system is made up of two elements. The first is an electronic tag, comprising a coil and a capacitor, both of which are made of aluminium.

The second part is made up of a series of detectors placed at exit points. These contain transmitters emitting a signal at a specific frequency which energises the coil in the tag if it comes within range. Once the coil is energised the capacitor in the tag sends e signal back to the detector which activates an alarm.

When a sale is made, the tag is either removed physically using a special key or deactivated by the shop assistant. To do this, the tag is passed near a transmitter emitting a signal at a particular frequency. The signal is strong enough to change the structure of the aluminium coil. The process also changes the frequency at which the coil reacts to the signal. Because the coil no longer responds to the transmitter, the tag is deactivated.

On the Continent, record stores and hypermarkets have adopted the tagging technology more willingly than in the UK. Robert Aelion, director of security of Fnac, the French book and record chain, says that he no longer has to justify investment in EAS to his board. He explains that it would now be inconceivable to open a store without such as system.

UK retailers have been more loath to put in surveillance systems. Most have been installed in clothing stores, using tags enclosed in hard plastic which are attached to the goods with a pin.

But recent developments in EAS technology suggest that such systems may soon find their way into British supermarkets. Both Actron and its main competitor, the US-based company Knogo, have developed tags which can be integrated in paper labels.

Actron's tag is based on a 4cm square piece of polyethylene on which a tiny coil and capacitor are placed. The components are then attached to a paper label. The tags are attached to the supermarket products using a standard labelling device. The labels can also be printed with dummy or real barcodes.

In Actron's latest prototype, the company has integrated its deactivating device in the traditional scanners used to read barcodes at the check-out. This means that the tag can be deactivated at the same time as the barcode is read. Kanter says that the delays caused by the deactivisation process discouraged many supermarket retailers.

He admits the retailers were also put off by teething problems with the system in the supermarket environment. A number of retailers experienced a high incidence of false alarms. He explains that one of the causes was the existing electrical equipment in the supermarkets. Escalators, conveyor belts and cash registers generate a wide range of signals, some of which trigger off the system. But if the range of frequencies accepted by the receiver is reduced the transmitter may not register the tag.

The company handled the problem in two ways. First, it improved the manufacture of the coils in the paper tags. Kanter says that the shape of each coil defines the frequency which the coil picks up. If the shape of the coils varies, the range of frequencies transmitted have to be increased so that all the tags are picked up. But by increasing the range of signals accepted, there is an increased danger of picking up signals from electrical equipment in the store. To deal with the problem, the company reduced the range of frequencies by half, to plus or minus 5 per cent. This allowed the range of frequencies sent out by the transmitter to be reduced.

The second way of dealing with false alarms was to write a computer program into the receiving device in the detector. The program was designed to build up e profile of the background environment. This meant that the alarm would only go off if there was a deviation from the background signature at the specific frequency of the tag.

"There's one final problem that remains to be solved," admits Kanter. "The cost of the tags. Everyone is waiting for the penny tag. At present they cost between four and five pence, so the retailer can't afford to put it on every item."

However, Kanter argues that retailers can target particularly vulnerable products effectively. These include batteries, lipstick, perfume, compact discs and meat. He explains that when 10 per cent of goods are tagged the system has a significant deterrent effect, driving potential thieves to unprotected stores. "The technology has improved so much over the last two years – and it's still getting better – that EAS has become feasible," says Neil Newell, chief security officer at United Co-op Society, which owns 200 stores between Stoke-on-Trent and Cumbria.

United Co-op is evaluating both the Actron system and the one supplied by Knogo. It has installed systems in three hypermarkets of more than 100,000 square feet. "The systems are very expensive," admits Newell. "But I'll get a good payback. Thieves that I know – and I know a lot of them - have been keeping away since I installed EAS."

At present, a number of retail chains are using or testing EAS systems. These include Sainsbury, Halfords, Boots, Marks and Spencer and United Co-op. Eventually retailers are likely to demand that their suppliers integrate the tags at point of manufacture. This would eliminate the need for the retailers to put the tags on themselves – a labour-intensive and expensive business.

William White, assistant to the president at Knogo, says that Skopunkten, the Swedish shoe wholesaler, has its Asian manufacturers supplying tagged shoes. "We have to make sure that if the shoe is sold in a store without a deactivating device, the tags don't go off when the customer walks into a different store which has the system," says White. "To avoid this, we had to develop a micro-magnetic system which is neutral until it is activated by the retailer."

Nevertheless, it appears impossible to stop every thief. One leading European retailer has put detectors on the doors of its lavatories. This is to prevent people taking the hard tags off clothes while hidden in the cubicles.

Arthur Minasy, president of Knogo, says the market potential for Knogo's systems is still great, given the increasing incidence of shoplifting. "If you give a man enough privacy and a screwdriver he will take the store apart," he says.

Composites aim to spread their wings

By Lynton McLain

The fabrication and application of composite materials is well established, but industry and the UK Government are now beginning to explore the use of composite materials for large items to be mass produced. Products made from composites have an inherent simplicity of design, compared with welded or rivetted metalwork, which require more stages of manufacture. They can also be stronger and less expensive than traditional materials.

The automotive, shipbuilding and aerospace industries are leading the way with the application of composite technologies. The automotive industry uses mass production for its metal products and wants to reduce the time required to make composite parts. Research into polymer composites is being carried out by a joint venture involving Ford, Chrysler and General Motors.

In shipbuilding, Vosper Thornycroft, the Southampton warship builder, is experimenting with a semi-automated process to build large ship hulls using glass fibre impregnated with resin. The technique involves the automatic dispensing of glass fibre cloth through a bath of resin. For fully automated ship construction, machines would be needed to lay long pieces of glass fibre along the contours of the ship.

The experimental technique is used to help build the company's latest Sandown class minehunters made from glass reinforced plastic. These vessels, at more than 150 feet long, are some of the biggest glass reinforced plastic structures afloat. But they are modest compared with the 600 feet long glass reinforced plastic magnetic treatment facility Vosper Thornycroft is helping to build for de-magnetising the Trident nuclear submarines. An automated filament winding process for laying the glass fibre cloth is being developed to produce the rectangular sections of the structure.

Tony Dory, technical director of Vosper Thornycroft, says "a fully automated process could not be justified for shipbuilding, possibly not even for a batch of 20 or so vessels. The production of flat panels could be automated readily, but the capital cost of an automated machine would be too high for small production runs."

The aerospace industry has much larger production volumes but it still operates on batch production techniques for some metal structures and other relatively small composite structures, such as aircraft fins and parts of wings. The industry is now seeking to capitalise on the relative simplicity of composite parts to automate manufacture of large items, including full wings.

Aircraft designers use high-strength carbon fibre composites, rather than the glass reinforced plastics favoured by shipbuilders. Carbon fibre composites are make of long fibres of carbon, in the form of tape, which is then impregnated with resin and cured in cylindrical autoclaves at high temperatures.

The civil aircraft makers, Aerospatiale of France and Aeritalia of Italy, are using composites on a large scale. The ATR 72, a 74-seat passenger aircraft built by the two companies, is the first civil airliner in which the whole of the outer structure of the main wing is made of a variety of composite materials. The 27-metre wing weighs between 20-30 per cent less than a comparable metal wing. The parts made of composite sandwich construction are about five times as strong as steel and about 15 times as strong as aluminium. The reduced weight saves fuel.

Mass production of large-scale composite components is being considered by the makers of the European Fighter Aircraft. The Eurofighter will use advanced materials to a greater extent than any previous European military aircraft. Most of the fuselage as well as the wing will be made of carbon fibre composites.

The production of the wings of the aircraft is unusual. It will be one of the first where each wing is produced by a different technique. Aeritalia, the Italian partner in the Eurofighter, is to produce the left wing. British Aerospace and Casa of Spain will produce the right one. Messerschmidt Bolkow-Blöhm of West Germany will produce the carbon fibre fuselage.

The arrangement for the wings reflects the present wariness about mass production of carbon fibre composite materials in Britain's aerospace industry. British Aerospace's is to make its wing initially by hand, although with a production run of about 800 aircraft planned for the 1990s, mass production of these 60 square metre composite wing structures is inevitable.

Confidence is greater in Italy. Aeritalia has opted to make its wing using an automated carbon fibre tape laying machine, made by Cincinnati Millacron of the US. This will be used for the Italian half of the wing of the prototype aircraft, to fly in 1991. Brian Phillipson, the project director for the European Fighter Aircraft at British Aerospace, says the aircraft is being built using advanced materials because the performance of the aircraft and its cost demands this. "Having been forced into certain materials you then have to find new production techniques," he says.

The front fuselage of the aircraft is also in carbon fibre composite material, but the curves and shapes are so complex that this cannot be mass produced using present technology carbon fibre tape laying machines.

Corporate initiatives

Oiling the wheels of education

BP believes that it can reap hard-headed business benefits from its activities in schools. David Thomas reports on some of the steps the company has taken

British Petroleum, the UK-based oil multinational, is engaged in a novel experiment which could have implications for a host of management issues, notably how a company makes its culture truly international in the run-up to the completion of the internal European market.

The lever which BP is bringing to bear on this tricky issue is an unusual one — its work on business/education links.

In Britain, BP has long been noted for trying to break down the barriers between business and schools. But it has decided it wants to go one better: it is trying to Europeanise this effort.

Tangible evidence of BP's new drive was to be found at a two-day conference on education held by the company last week in Brussels.

Conferences on education are often more noted for long speeches than for clear-cut conclusions, but two things militated against this being another hot air session.

First, the level of the participants: all BP's main European subsidiaries sent along a senior executive, in many cases their most senior executive.

Second, the clarity of the objectives laid down for the participants: they were told to devise an educational policy for BP that crossed national boundaries.

And the BP executives who assembled from all over Europe were given a little incentive to complete that task. In an opening address, Robert Horton, the company's chairman designate, said he would release some corporate money, albeit in modest amounts, to pump-prime educational initiatives suggested by conference participants.

Horton is due to take over BP's top job next March after building a reputation as a manager who has restructured a host of BP operations, most recently during his stint as chief executive of BP's US subsidiary.

So why should a tough oil man spend his time on education? Horton helped to launch a scheme while he was in Cleveland, Ohio, by which youngsters from deprived areas were given cash credits if they achieved good enough grades to go on to college. But he told his managers in Brussels that business initiatives like that did not flow from "the milk of human kindness."

BP could not fulfil its duties to its shareholders, Horton insisted, if it ignored education. BP's educational work was in its own long-term interest: "Indeed, companies now perceive competitive benefits in developing effective education links," Horton said.

BP believes it reaps hard-headed business benefits on four fronts from its educational activities. They help to:

- Sustain BP's licence to operate through improving BP's image and its relations with the local community.
- Improve the quality of the people who apply to work for BP.
- Extend the range of valuable information to which BP has access, particularly through its links with higher education.
- Encourage a thriving economy by improving education, not least by enhancing understanding across the business/education divide.

Pupils from St Angela's and St Bonaventure's schools in east London using teaching materials developed by BP Educational Service

All these points cover a company's educational activities within one country. The novelty of Horton's message lay in his push for international business/education links.

BP's wish to forge a more international company culture emerged as the prime motivation. In particular, Horton said, the completion of the internal European market "means that the internationalisation of our recruiting effort must become an operational priority."

Two things flowed from workshop sessions held after Horton's speech by the more than 100 participants in the conference (BP's top managers brought with them a personnel or education specialist from within their subsidiary, plus two educationalists, one from a school and one from a university).

First, a surprising amount of educational work was already under way in BP's subsidiaries, with BP spending about £6m a year worldwide on educational work.

In the UK, BP's educational work, such as its encouragement of teacher secondments to industry, is relatively well-known, but unprompted by the centre many of its subsidiaries particularly in Northern Europe have also been active.

Winfried Nacken, head of youth training in Deutsche BP, explained how BP had launched annual "study weeks" for children in one non-technical Gymnasium (equivalent to Britain's old grammar schools) in Hamburg in 1981.

This idea was to invite pupils into BP for a week, giving them access to all the company's facilities and senior managers. The scheme has now blossomed to the point where 13 companies, including BP, arrange study weeks for 12 schools in the Hamburg area.

Even quite modest initiatives had reaped rewards. Thus, Raymond Clinton, managing director of BP Oil in the Irish Republic, described how his relatively small company had dramatically improved its profile among Ireland's community of science teachers by sponsoring a Science Educator of the Year award.

The second point of the workshops was to devise pan-European educational initiatives for BP. If anything, almost too many ideas emerged.

BP Sweden, for example, proposed a summer college attended by schoolteachers from throughout Europe, which would investigate European solutions to issues like motivating pupils, the introduction of new technology and the continent-wide decline in the number of young people.

Deutsche BP is already sponsoring German pupils on work experience visits to Colchester in the UK. It also suggested Europeanising its study weeks, with pupils from one country visiting companies in another.

BP Belgium, among others, suggested a European version of BP's school links scheme in the UK, whereby individual BP managers keep in regular contact with particular schools in their locality.

Sponsorship of international research projects in the universities, a transnational clearing house for companies willing to give foreign pupils and students work experience, competitions run internationally for language learning among schoolchildren — these were just a few of the other ideas.

A cynic might expect these bright ideas to evaporate into thin air once BP's managers return home to more pressing operational matters. But Robert Horton tried to anticipate that reaction by stressing that in future all BP subsidiaries must include educational activities in their business plans, with sums of money allocated to carry them through.

Horton even envisages his managers being assessed partly on how well they fulfil their educational commitments.

Whether this will help BP to forge a genuinely European culture remains to be seen. The company will first need to steer its way through two difficulties.

First, some BP subsidiaries, particularly in the Mediterranean countries, are a long way behind the leaders in their educational work.

Second, BP headquarters will have to manage the difficult trick of giving a push to its subsidiaries' educational efforts, without upsetting its decentralised decision-making structure which leaves responsibility on such matters to its national subsidiaries.

Corporate structures

When centralisation has a demotivating effect

Christopher Lorenz assesses the warnings in a current study

All over Europe, indigenous and foreign multinationals are rushing to centralise decision-making in order to take advantage of the emergence of an enlarged single market both before and after 1992. Hardly a month goes by without a ringing declaration, from the likes of Heinz or 3M, of the need for pan-European strategies, and — at least by implication — for organisational structures to implement those strategies in the marketplace.

But companies are running a severe risk of overdoing the centralisation, according to Euro-strategies into the 1990s*, a study by a London-based consultancy, The Henley Centre, which will be published next Monday. If they continue to do so, it warns, they risk destroying the motivation of their managers in individual countries, and with it their own ability to recruit talented staff.

The Henley study ranges widely across a broad swathe of 1992-related issues, from the European economic environment to culture and consumer behaviour, and from EC legislation to corporate marketing and advertising strategy.

Among other controversial but well aired questions, it examines the extent to which companies can "force" customer preferences to converge across Europe, and how consumer goods manufacturers should deal with the near universal growth in retail power.

It is on organisational issues, rather than this familiar ground, that the study has the freshest message to convey. It recognises that companies increasingly need to co-ordinate or even centralise their decisions on product development, procurement and manufacturing. This applies regardless of whether a company develops and makes identical products for European (and other) markets, or whether it is offering natural variants around a common core design.

Henley's main organisational worry is about the internal effects of a more "downstream" phenomenon: the emerging centralisation of decisions over such items as distribution and pricing, and possibly advertising and sales promotion also.

This trend has been developing over the past year or two in response to the growing demands of multinational European clients for standardisation of supply terms.

For instance, the Henley Centre cites one computer manufacturer which has found that a major customer has abandoned country-by-country purchasing of point-of-sale systems in favour of buying all its equipment centrally from one country.

The Centre also points to the development of cross-border collaboration between retailers, and the growth of European wholesalers. Both these types of customer will soon be buying from the cheapest national source, rather than from where the suppliers would like them to.

Confronted

In a very recent case, one of the world's top razor blade manufacturers was confronted by a Belgian retailer, to which it sold direct, which had discovered that the manufacturer was selling blades 20 per cent more cheaply to retailers just over the border in France. The Belgian company made no explicit threat to resort to parallel importing — nor could the manufacturer have stopped it — but the risk was there.

The manufacturer responded by calling its relevant European affiliates together to discuss a pricing solution, but made the final decision at its headquarters in the US. A spate of similar situations has prompted it to establish a more structured decision-making system.

In organisational terms, what this implies for manufacturers is a further rise in the number of activities which need to be co-ordinated on a European-wide basis, and — at least at first sight — a commensurate fall in national initiative. With responsibility for product development and procurement having been removed already from many national subsidiaries, and with brand decisions increasingly centralised, it will be all too easy to take almost all initiative away from them.

As the Henley Centre warns, the most difficult time of all will be when HQ and local management find that the setting of national profit and loss targets is being made increasingly meaningless by sophisticated multinational customers.

By removing country responsibilities in this way, without replacing them with equally important ones, the Centre warns that multinationals risk losing the most important of their assets — their people.

While there are overwhelming reasons for central co-ordination, it points out that there is an ever-increasing need not only for responsiveness to different local markets, but also for imagination and innovation. "One of the greatest constraints on all companies in the 1990s will be the shortage of imaginative skilled personnel," it warns.

The only way out of this organisational dilemma, the Centre suggests, is for more companies to follow the lead of IBM, Procter & Gamble and others, in designating different European national subsidiaries as their "lead countries" for different activities, not merely for selected product lines.

Some of the analysis and prescription outlined by the Centre parallels that already done by two leading sets of business school academics: Christopher Bartlett and Sumantra Ghoshal, the authors of Managing Across Borders,** whose concept of flexible "transnational" companies is cited in the Centre's study; and CK Prahalad and Yves Doz, whose book The Multinational Mission† advocates the widespread adoption of what they call "differentiated" management structures.

But Henley's advice is none the less valuable. The more people who inveigh against crudely centralised organisations, the more companies are likely to get the message.

** Price £1,250 ($2,150) from Sarah Stevens/Eric Salama, The Henley Centre, 2 Tudor Street, London EC4Y OAA.*

***Hutchinson Business Books, £25/HBS Press $24.95.*

†Macmillan, £22/Free Press $24.95.

COMPANY NOTICES

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01 05309 06

NOTICE TO HOLDERS OF ORDINARY SHARE WARRANTS TO BEARER
PAYMENT OF COUPON NO. 113

With reference to the notice of declaration of dividend advertised in the Press on 24 November 1989, the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 85 cents per share was declared in South African currency. South African non-resident shareholders' tax at 12.40791 cents per share will be deducted from the dividend payable in respect of all share warrants to bearer leaving a net dividend of 72.59209 cents per share.

The dividend on bearer shares will be paid on or after 18 January 1990 against surrender of coupon No. 113 detached from share warrants to bearer at, under:

(a) At the offices of the following continental paying agents:

Credit du Nord, 6-8 Boulevard Haussmann, 75009 Paris — Swiss Bank Corporation, 1 Aeschenvorstadt, 4002 Basle
Banque Bruxelles Lambert, 24 Avenue Marnix, 1050 Brussels — Union Bank of Switzerland, Bahnhofstrasse 45, 8021 Zurich
Generale de Banque, 3 Montagne du Parc, 1000 Brussels — Banque Internationale a Luxembourg S.A., 2 Boulevard Royal, Luxembourg
Banque Generale du Luxembourg S.A., 14 rue Aldringen, 1118 Luxembourg

Payment in respect of coupons lodged at the office of a continental paying agent will be made in South African currency to an authorised dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment so made can only be given to such authorised dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX. Unless persons depositing coupons at such office request payment in rand to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:
(i) in respect of coupons lodged on or prior to 12 January 1990 at the United Kingdom currency equivalent of the rand currency value of their dividend on 27 December 1989; or
(ii) in respect of coupons lodged after 12 January 1990 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorised dealer in exchange in Johannesburg to the Securities Department of Hill Samuel Bank Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10.00 a.m. and 3.00 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel Bank Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend will be the United Kingdom currency equivalent of 63.75 cents per share in terms of sub paragraph (b) above arrived at as follows:

	South African Currency Cents Per Share
Amount of dividend declared	85.00000
Less: South African non-resident Shareholders' tax at 14.59755%	12.40791
	72.59209
Less: U.K. income tax at 10.40245% of the gross amount of the dividend of 85 cents	8.84209
	63.75000

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
G A Wilkinson
London Secretary

London Office:
40 Holborn Viaduct
London EC1P 1AJ
30th November 1989

NOTE:
The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10.40245% instead of the basic rate of 25% represents an allowance of credit at the rate of 14.59755%.

RAND MINES LIMITED

(Registration No. 01/00656/06)
("Rand Mines")

Member of the Barlow Rand Group

PAYMENT OF COUPON NO. 103

With reference to the Company's interim report and dividend notice advertised in the press on 24th October 1989, the following information is published for the guidance of holders of share warrants to bearer. The dividend was declared in South African currency and in accordance with the conditions of payment of this dividend, payment from the offices of the Secretaries of the Company in the United Kingdom will be made in United Kingdom currency at the telegraphic transfer rate of exchange between Johannesburg and London which ruled on 6th November 1989.

Payment will be made against coupon no. 103, on or after 3rd January 1990 in U.K. currency at the Securities Department of Hill Samuel Bank Limited, 45 Beech Street, London EC2P 2LX, or in French currency at Credit Lyonnais, 19 Boulevard des Italiens, 75002 Paris.

Coupons must be left for at least four days for examination and may be presented any weekday (Saturdays excepted) between the hours of 10.00 a.m. and 3.00 p.m.

Republic of South Africa non-resident shareholders' tax will be deducted at the rate of 15 per cent. United Kingdom income tax will also be deducted from coupons presented for payment at the Securities Department of Hill Samuel Bank Limited, unless coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deductions are made the net amount of the dividend is as follows:

	South African Currency per Share – Cents	U.K. Currency equivalent per Share – Pence
Amount of dividend declared	440.00	105.9960
Less: South African non-resident shareholders' tax at 15%	66.00	15.8994
	374.00	90.0966
Less: U.K. income Tax at 10%		10.5996
		79.4970

SECRETARIES OF THE COMPANY IN THE UNITED KINGDOM
Viaduct Corporate Services Limited, 40 Holborn Viaduct, London EC1P 1AJ
30th November 1989

NOTE: The Company has been asked by the Commissioners of Inland Revenue to state:
Under the double taxation agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

LEGAL NOTICES

Notice under Section 175 of the Companies Act, 1985
Anderson & Bell Ltd. -
Company Number 1409010

Notice is hereby given that the above company, whose registered office is St. Andrew's House, Westfield Terrace, Gateshead, Tyne & Wear, NE8 4LQ:-

1. Has approved a payment out of capital for the purposes of acquiring its own shares by purchase;
2. The permissible capital payment for the shares concerned is £29,000 as authorised in the Special Resolution for payment out of capital, passed on 22nd November, 1989;
3. The statutory declaration and the Auditor's Report are available for inspection at the company's registered office;
4. Any creditor of the company may, within 5 weeks of the date of the Resolution, apply to the court for an order that prohibits the payment.

ART GALLERIES

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 01-873 3000 Telex: 922186 Fax: 01-407 5700
Friday December 1 1989

Japan's new multinationals

NISSAN'S decision to establish a fully-fledged vehicle design, development and engineering operation in Britain is significant, both for European policies on inward investment and for the growing management challenges which confront Japanese multinational companies.

Until recently, most Japanese manufacturers' investments abroad have been in production facilities. In seeking higher quality Japanese investment, the European Community has mainly emphasised increased local component content, on the grounds that this creates a beneficial "ripple effect" among local suppliers while providing some safeguards against sudden plant closures.

However, as the record of US electronics multinationals in Britain shows, foreign companies anchor themselves securely in host economies and contribute fully to their skill base only when they put down local design, development and engineering activities, as well as production.

US companies such as Ford and Hewlett-Packard did this early on. For Japanese companies multinational expansion is a more recent experience. Yet the speed at which they have set up local manufacturing facilities suggests some of them should be ready to move towards a fully-integrated value-added chain by establishing research and development activities in Europe.

Slow results

Although a few have already committed themselves to doing so, they have so far been slow to deliver results. Canon, which made a declaration of intent four years ago this month in the middle of an EC anti-dumping inquiry, only put it into effect this year. Even then, the small UK centre it has established is more involved in research than development.

Such remote research centres are far easier to manage than a fully-fledged design, development and engineering operation, which has to be integrated closely with manufacturing and marketing. As many Western companies know to their cost, this is difficult to achieve even within a single country's boundaries, let alone between continents.

Japanese companies have moved faster in the US, where several have established design and development units. None the less, these are mostly still dedicated only to the US: they have not yet been integrated into a fully multinational network, with a remit to design products for global markets. Similarly, Nissan's new UK facility will – initially at least – develop cars mainly for Europe.

Only if Japanese companies move beyond this stage will they become as multinational as Hewlett-Packard, Unilever, Procter & Gamble and Ford, all of which now have complex development networks in which projects are shared across continents, or are shifted between them from one product generation to the next. But Japanese companies seem to be holding back for fear of disrupting their highly effective "rugby team" style of product development, in which specialists from different disciplines collaborate at close quarters.

Commercial imperatives

They will abandon this approach only when presented with a superior alternative. This is unlikely to stem from pressure by western governments, but from commercial imperatives. Acute skill shortages are already leading Japanese companies to consider shifting development work offshore, while their simultaneous diversification into new geographic and product markets seem likely to require much more decentralised decision-making than in the past.

It is in the long-term interest of Japanese companies – as well as of host economies – that they should adapt their organisation and management structures to these new conditions. Becoming more broadly-based multinationals will help them not only to serve global markets more efficiently, but to overcome one of the biggest sources of friction with the rest of the world. This is the widespread, if exaggerated, perception that their overriding strategic priority is to promote the national economic advancement of Japan at the expense of its main trading partners.

Tragedy in Ethiopia

THE SPECTRE of starvation again looms over Ethiopia, evoking memories of the 1984-85 famine when up to 1m people died. Again the international community is being asked to assist. This time, however, the response to the urgent needs of some 4m Ethiopians may well be blunted by a sense of futility and frustration about a tragedy which owes more to the destruction wrought by man than the vagaries of nature.

Questions posed at the time of the last disaster are still pertinent, but in the five years that have elapsed the answers have become no more palatable. Is Ethiopia – one of the world's poorest countries – incapable of preventing such tragedies? And does aid buttress a despotic regime?

The answer to the first is surely yes – as long as President Mengistu Haile Mariam remains in power, and the country's civil wars continue. The record of recent years suggests that the answer to the second question is also yes – although humanitarian considerations must prevail when responding to the latest appeal.

The massive assistance provided five years ago, and continued on a smaller scale in subsequent years, has saved lives. But it has had little effect on flawed economic policies. Nor has it led to an amelioration of an authoritarian political structure. Rather it has subsidised a government presiding over a system which makes food shortages endemic.

The policies of President Mengistu's military government remain the greatest single contributing factor to Ethiopia's crisis. Agricultural productivity has declined more because of misconceived policies than drought.

Modified dogma

Although the Marxist dogma that has shaped economic development since the revolution in 1974 has been modified, the government remains wedded to the concept of a centrally controlled economy, and a one-party state. This combination has failed in Ethiopia, as in other African countries.

Aside from the devastating impact on agriculture, the combination undermines an initiative which in different hands might be part of the long term answer to Ethiopia's crisis. The relocation of Ethiopians living in the drought-hit regions, where deforestation and erosion have left the environment incapable of sustaining the present numbers, to more fertile land in the south and south-west, is in theory sound.

In practice it contributes to the disaster, as does the programme of "villagisation," which brings together scattered peasant families in order to provide social services.

Forced moves

Many of the hundreds of thousands of families affected so far have been forcibly moved to mostly ill-planned villages, often without the services promised.

Were the Ethiopian government truly representative of its people and responsive to their needs, the second issue that affects the current crisis might be more susceptible to a negotiated settlement: the civil conflicts in the provinces of Eritrea and Tigray.

Neither conflict is easily resolved. Eritrea has a legitimate claim to independence. But any government in Addis Ababa would think twice about ceding independence, so losing control of its outlet to the sea.

Tigray seeks not independence but autonomy, which may be easier to accommodate. Yet the prospect of success for a guerrilla movement whose leader sees Albania as a model to emulate, almost provokes sympathy for Mr Mengistu.

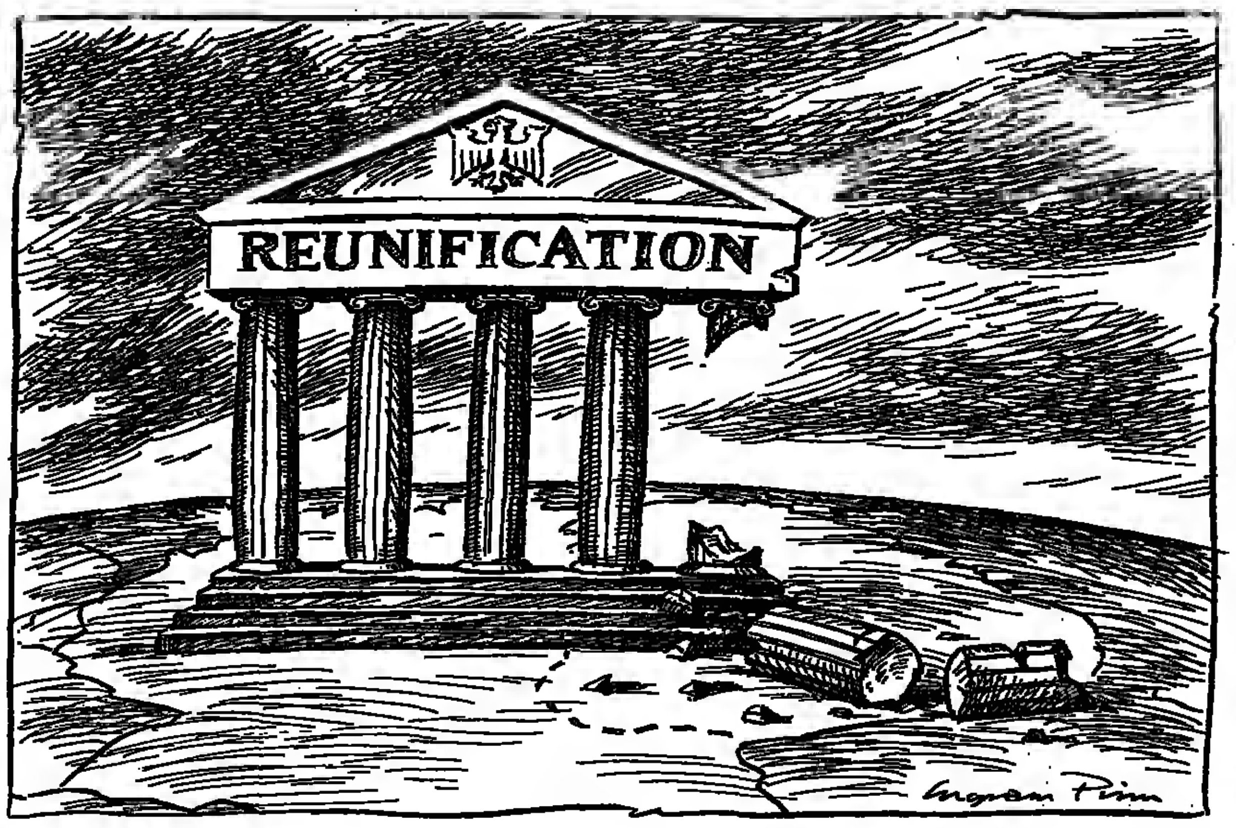
Until these conflicts are resolved Ethiopia will remain impoverished, but the world can help provide some respite for the victims. Adequate supplies of food for the 4m people at risk will largely depend on whether there can be an agreement which gives safe passage to relief convoys.

It is time for the international community to appeal to the warring factions to reach such an agreement as a matter of utmost urgency. In particular, the Soviet Union, still the main backer of the Mengistu regime despite its support for the current talks, must make clear its desire for such a move. And the first step towards this initiative should come from this weekend's superpower meeting off Malta.

David Marsh on shocked reaction to the murder of Alfred Herrhausen

Harsh reminder of German divisions

"Himmelhoch jauchzend, zum Tode betrübt" (Passionate pain raised up to heaven, the deeper to fall)



Goethe's classic description of the wavering emotions of the Germans gives an *inkling of West Germany's* confused shock after the murder yesterday of Mr Alfred Herrhausen, chief executive of the Deutsche Bank.

After the headiness and hope generated by the breaching of the Berlin Wall three weeks ago, the terrorist bomb which shattered Mr Herrhausen's car in Bad Homburg yesterday brought Germany down to earth.

The Federal Republic has lost not simply a man who stood at the pivot of industrial and banking power in Europe's strongest economy, and who had become a kind of informal economic adviser to Chancellor Helmut Kohl. At the helm of the bank which has played a dominant role in both pre-war and post-war German business life, Mr Herrhausen, who was 59, represented a central strand of German national continuity. One of Mr Kohl's closest aides, describing Mr Herrhausen as "a German patriot," said that the Chancellor was grieved at losing both a top industrial leader and a personal friend.

Amid the last few weeks of optimism about democratic reforms in eastern Europe, Mr Herrhausen proved an outspoken – perhaps, too *outspoken* – proponent of German reunification, calling it, only a day before his death, "desirable and inevitable."

The assassination took place just two days after Mr Kohl presented to parliament in Bonn his Government's first operational plan towards achieving an all-German federation, and it is almost certain to muddy further the issues around the future of the German nation.

One of the main assumptions of police investigators yesterday was that the Red Army Fraction (RAF) terrorist group killed Mr Herrhausen because of his involvement with the so-called "military-industrial complex." The Deutsche Bank chief had played a decisive role in steering through the hotly contested takeover of Messerschmitt-Bölkow-Blohm (MBB), the aerospace and defence *group, by Daimler-Benz, in which* Deutsche owns a 28 per cent stake.

But a chilling question surrounding the killing is whether the terrorists also chose to liquidate him in a bid to check the process of German unity. Mr Herrhausen, who accompanied Mr Kohl on his trips to Moscow and Poland during the past year, had been an able supporter of the extension of financial help to the eastern bloc to back political and economic reforms there. "He was a sort of politician," said one German economist yesterday who has closely followed Mr Herrhau*sen's fortunes: "This a setback for the* psyche of the whole country."

Mr Herrhausen's murder is certain to have repercussions well beyond the question of German unity. The last political assassination was three years ago – the gunning down in Bonn in October 1986 of Mr Gerold von Braunmühl, a senior Foreign Ministry official. Yesterday's attack closely resembled the explosion in July 1986 which killed Mr Karl Heinz Beckurts, the Siemens research chief, who was closely involved with the nuclear energy programme.

The conclusion is that a small number of urban guerrillas and their sympathisers – the successors to the Baader-Meinhof gang which attained bloody prominence in the late 1960s – is still capable of wreaking havoc. The similarities with the 1977 murder of the former chairman of the Dresdner Bank, Mr Jürgen Ponto, shot dead at his home outsida Frankfurt, are grimly depressing.

Pressures for stronger law and order measures may grow after yesterday's outrage, and the affair could have an impact on the campaign leading up to the general election at the end of next year. Bnt officials *acknowledge that, even for* well protected men like Mr Herrhausen, in a free society there can be no 100 per cent security from determined terrorists.

Because of his top connections and high-profile views, Mr Herrhausen had been given the highest security status – a measure which was yesterday extended, in an immediate emergency reaction, to all senior Bonn politicians. But the banker's bodyguards, in two cars accompanying his armoured limousine, were redneed yesterday to the role of spectators capable only *of surveying the* wreckage.

A chilling question is whether the terrorists chose to liquidate him *in a bid to check the* process of German unity

Mr Herrhausen had sometimes declared himself irritated by the notion that he had permanent access to the Chancellor's ear. He told one private meeting recently that he had seen Mr Kohl no more than twice in a year. There was never any doubt, however, that the Deutsche Bank chief enjoyed his closeness to the governmental levers in Bonn.

An exception among Germany's often rather introverted captains of industry, Mr Herrhausen was driven by a passionate – and sometimes arrogant – need to inject his views into areas extending well beyond the immediate confines of banking. His freqnently proclaimed opinions on *arms control or debt forgiveness for* Third World nations were, in fact, unusually progressive. "He was a tremendously strong and clear leader with lots of ideas of his own. He was certainly ahead of his time with his attitudes," said one western ambassador in Bonn.

The assassination comes a month after the death through illness of another of the most active figures in German industry, Mr Rudolf von Bennigsen-Foerder, the chairman of Veba. The untimely loss of both men deprives West Germany's corporate *world of colour as well as brains, flair* and imagination.

Certainly, Mr Herrhausen never ducked the question of the Deutsche Bank's power and its desire for still greater reach. In an interview 10 days ago – just a week before the bank announced its takeover of Morgan Grenfell, the London merchant bank, he gave an unusually vigorous statement of ambition: "Germany, a reunified Germany, will be an enormous, strong economic force . . . and when you as a bank are strongly positioned within this country, then I think you are destined to play a major role in global banking."

The bank owns direct stakes of more than 10 per cent in 10 top industrial and insurance companies. Deutsche Bank's representatives occupy supervisory board seats across the cream of German industry. The most prominent participation, the stake in Daimler-Benz – now West Germany's biggest company – has its roots in the bank's role in steering the merger of Daimler and Benz in 1926. When asked on numerous occasions about the competitive repercussions of the bank's extensive corporate involvement, Mr Herrhausen had a stock reply: "We are a *powerful institution . . .* my ambition is that we should use our power responsibly."

Following in the footsteps of the legendary post-war Deutsche Bank chief executive, Mr Hermann Josef Abs, who at one point collected 24 supervisory board posts throughout industry, Mr Herrhausen had a place on six supervisory bodies.

One of the key places where his death leaves a vacuum is at the the helm of the Daimler-Benz supervisory board. In one of the most striking examples of German industrial conti*nuity, a top executive of the Deutsche* Bank has held the dominant position at Daimler virtually without a break for more than 60 years. Mr Edzard Reuter, Daimler's management board chairman, who had built up a close relationship with Mr Herrhausen, spoke for many yesterday when he said that the assassination was "aimed against the whole of our political, social and economic order of which Alfred Herrhausen was one of the most ontstanding representatives."

Deutsche Bank is often seen as heralding salvation for the East, *but also as a purveyor* of capitalist oppression

It was precisely Mr Herrhausen's symbolic importance which made him a prime target for the assassins. In a not untypical example of the ambivalence surrounding the whole question of West Germany's links with eastern Europe, the Deutsche Bank is often seen as heralding capitalist salvation for the hard-pressed East – but is also regarded as a purveyor of capitalist oppression.

To underpin economic reforms, reformist leaders like Lech Walesa in Poland have, for instance, been calling on German banks to extend their activities in eastern Europe, even to the extent of opening up facilities for foreign currency accounts. Deutsche Bank announced in October that it had become the first German bank to win approval for representative offices in Warsaw and Budapest.

On the other hand, for left-wingers in both East and West Germany, the Deutsche Bank, and Mr Herrhausen in particular, have become bogeymen preparing "absorption" of the East German state by the Federal Republic. Demonstrators in West Berlin three weeks ago greeted bemused travellers from East Berlin, crossing to the West for the first time in their lives, with posters proclaiming: "The freedom you see here is the freedom of the Deutsche Bank."

Mr Stefan Heym, the veteran dissident East German novelist, who has assumed the role of spiritual father of the East German opposition movement in recent months, has been active in publicising fears of a "sell-out" to the West. At a press conference in East Berlin on Tuesday, Mr Heym, warning of the danger of a "takeover" by the Federal Republic, spoke of his concern that a unified *German state would become a* Germany of "Messerschmitt, Mercedes and Mr Herrhausen."

Mr Heym, a fugitive from Nazi oppression in the 1930s, suggested that this would be a re-run of the "Great Germany which has done so much harm." Partly because of the country's complex past to which Mr Heym refers, the killing of Mr Herrhausen is bound to be seen in a historical context. One parallel is the murder in 1922 of Walther Rathenau, Foreign Minister under the Weimar Republic, who was killed on his way *to work in Berlin's Königsallee.*

Rathenau had headed the supervisory board of the AEG electrical company between 1912 and 1921 and was a leading figure in Germany's First World War military machine. He was killed by right-wing "patriots" because he was a Jew and for allegedly betraying Germany; Herrhausen, it appears, because of too strong a commitment to capitalism.

Both cases show how public figures, separated by six decades, can fall victim to the intolerance of extremists, but it would be a mistake to carry the parallels with Weimar too far.

The stunned West German Bundestag was given the news of the Herrhausen murder yesterday morning. After a dignified tribute to the banker from Mr Wolfgang Schäuble, the Interior Minister, and several minutes of confusion, parliament resumed its debate on *the budget* with a speech from the Environment Minister. One West German diplomat commented: "We were all starting to feel united; and then this brought back the realisation that there are some who want a different society."

Mr Herrhausen's murder reminds today's Germans that, in spite of their country's perceived perfectionism and efficiency, far too many of their top corporate figures have fallen prey to the bomb and the gun. But the best tribute to Mr Herrhausen's accomplishments at the pinnacle of German capitalism *will be if, after his death,* the Federal Republic carries on more or less normally.

OBSERVER

Defending Hong Kong

■ Strong words about Hong Kong from Ian Hay Davison, the chairman of Laing & Cruickshank, who has the *advantage of knowing* something about the subject. Davison thinks that the British Government's present policy to the Territory is pretty spineless – to put it mildly – and has said so in public.

He wants direct elections to the legislative council and the right of abode for the people of Hong Kong in the United Kingdom. All that, and more, came out in a lunch-time speech at the Beazer annual general meeting in Bath yesterday.

Davison has nothing directly to do with Beazer, the property and construction company. But the company has a tradition of inviting someone with links to the west country to speak at its agms. Chris Patten, the MP for Bath and now the Environment Secretary, was a previous example. Davison lives in Somerset and lists public speaking among his recreations.

His knowledge of Hong Kong stems from the stock market crash of 1987 when the local stock market was closed and Davison was called in by the Governor, with the backing of the Bank of England, to conduct an inquiry. His review lasted six months and his recommendations were fully *implemented. He notes that* when the markets again fell heavily in October, there was no question of shutting them down.

The event that moved him to speak out about Hong Kong was the massacre of the demonstrators in Peking's Tiananmen Square by Chinese troops last June. The proposals for the future of the Territory might have been acceptable "under a benign and increasingly democratic Peking regime," *he said yesterday*, but "they will not do in the present political climate".

Davison reminded his audience of the position of Shanghai before and just after the war – the biggest and most prosperous city in the East. In 1949, when the Communists came in, they promised to preserve its international status and capitalist system. "That promise lasted about six months and much of the Shanghai business community fled to Hong Kong. The Hong Kong Chinese remember Shanghai very vividly," Davison said.

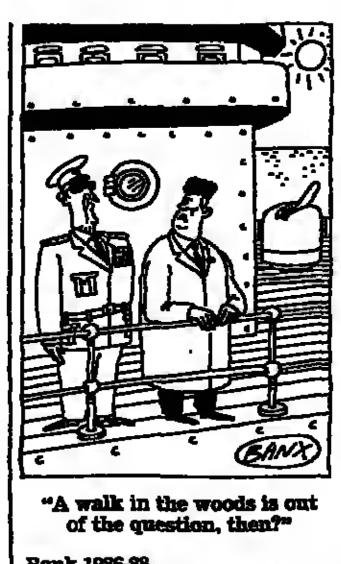
His remarks were aimed specifically at the British Government, "which fails to act," he claimed, "for fear of offending the Chinese. But I say, which Chinese? After the events in Czechoslovakia last week and East Germany the week before, do we really believe that the Peking regime will wear its present face for long?"

Davison argues that if the right of abode for Hong Kong citizens in the UK is restored, it will slow down the tide of emigration. Moreover, there can only be a European or international respopnse if Britain acts first. On the demands for direct elections, he said: "We should support them, regardless of the views of Peking."

Davison has not had talks with the British Foreign Office, whose rather more cautious views on Hong Kong are due to be published shortly.

Careless

■ Even the best reference books are not entirely reliable. We were checking a fact on Ian Hay Davison. Who's Who in the City has him down as having been Chairman of the Hong Kong Securities Review Committee from 1977 to 1988, whereas the task lasted six months. And even the usually *punctilious Who's Who proper* prints a line twice about him being a director of the Midland Bank 1986-88.



"A walk in the woods is out of the question, then?"

Incidentally, only Who's Who in the City includes public speaking among his recreations. Both, however, include "supervised gardening".

Books galore

■ No doubt entirely for subjective reasons, one has always regarded book publishing as one of the least efficient of British industries – unavailability of the books you want, no apparent relationship between price, size and quality and indeed no obvious reason why some books are published at all.

There is no doubt, however, about its size and growth. According to figures just released by the Publishers' Association, the total retail value of the UK book market last year was £2.2bn. Sales in the UK have risen by 37.5 per cent in real terms since 1981 and readership is steadily increasing. Family expenditure *on books – again in real terms* – has gone up by just over 30 per cent this decade.

Nor is this simply a case of books becoming much more expensive. Allowing for inflation, the price of books has risen by less than five per cent in the period. The number of titles produced has gone up by 44 per cent.

Security gap

■ Lyon, France's second city, reserved a very special welcome for Interpol, the international police organisation whose new headquarters there was inaugurated by President François Mitterrand this week. But the security still left something to be desired. While Raymond Kendall, Interpol's secretary general and former Scotland Yard detective, stood at the President's side, his Lyon flat was comprehensively burgled.

Quiet party

■ An embarrassing 20th birthday *party on* Wednesday evening for Accountancy Age, the pioneering tabloid which set the style for tweaking the tail of the professions.

An 11th hour dispute on another magazine produced by Age publishers, VNU, led to all the editorial staff, including thelong-serving editor, Robert Bruce, going on strike just as their moment of glory approached. Result: the doyens of the profession who gathered at Le Meridien in Piccadilly, including such giants as Lord Benson and Eddie Ray, were left to chat among themselves, with not a journalist in sight.

Honda special

■ A friend just back from America went to buy a one day rover ticket from London Transport. "We don't have one day rovers any more," the ticket officer said. "They're called one day Hondas. What's *more,*" he added, "I know a man who even calls his dog Honda."

POLITICS TODAY

Sir Anthony's gambit

By Joe Rogaly

I don't know about you, but I find I have to force myself to take Sir Anthony Meyer seriously. It is one thing for a potential alternative Prime Minister to challenge Mrs Margaret Thatcher's leadership of the Conservative Party; it is another for this particular courageous old buffer to do so. If it were not for natural caution brought on by a long memory I would ignore it. The memory goes back to the last weeks of the Macmillan government, when one professional commentator, whose blushes I shall spare today, went around saying that he could not believe that a call-girl, or even a minister's lie about his association with her, could bring a British Prime Minister down. The then Mr Macmillan resigned on the ground of illness, but it is likely that he would have been obliged to do so anyway in the wake of the Christine Keeler-John Profumo scandal.

Of course the situation is quite different now. There is no whiff of scandal. Sir Anthony's candidature is comparable only in the degree of its apparent irrelevance to the fate of a powerful leader. Yet no one can doubt that there is a widespread belief that the last chapters of the Thatcher era are being written. This belief may be ill-founded, but it persists, and grows. The Prime Minister herself finally got it right in her TV interview on Monday night, when she doggedly re-iterated the formula her advisers had drummed into her – that she would stay as long as the party and the electorate wanted her to. This was less off-putting than the "on and on and on" of a couple of years ago, and less electorally damaging than her intimation a couple of weeks back that she would step down after the next election.

Sir Anthony's gesture gives the party, in the form of its MPs, a chance to say whether or not it wants a new leader after 14 years of Mrs Thatcher. Most of them will cast their votes on the basis of a *judgment of what the electorate* is likely to want in a general election that may be 30 months away. Those who think Mrs Thatcher has become a political liability will presumably vote Meyer or, more likely, abstain, in the hope that if, say, 80 or 90 of them do so she will then feel obliged to make way for someone like Mr Michael Heseltine or Sir Geoffrey Howe or one of the other believable candidates.

The trouble with this line of thinking is that it comes up against the opposite proposition, which is that an outcome like that would leave the present Prime Minister in place, but wound both her and the party in the eyes of the public by showing the Tories to be hopelessly divided. If it really is a secret vote, which we innocents must presume it to be, then no individual MP can be sure of how the others will behave. Some of them were this week recalling the sad story of a candidate for their 1922 committee who, several years ago, received only one vote. He demanded a recount on the ground that at least nine personal friends, mostly from neighbouring constituencies, had looked him in the eye and promised him their support. After much fussing the ballot box was disinterred. The voting slips were displayed. Only one had a cross against the complainant's name. It was his own.

There are other difficulties. The Conservative Party is in truth sorely divided, partly over support for public services, partly over the Prime Minister's style, and partly over the optimum approach to further development of the European Community. Sir Anthony's manifesto, which appeared in yesterday's Times, took the contra-Thatcherite line on all of these issues. He concludes that "her policies are out of tune with the feelings of the British people." Many leading Conservatives, including perhaps a majority in Mrs Thatcher's Cabinet, have at one time or another expressed a similar opinion, either in public or in private, yet none has had the guts to stand against her. One reason, spinelessness apart, is that there is a growing self-comforting consensus that the next election will be won by a small majority, and that Labour will win an early election shortly after that. This would give the big names their chance to scrabble for the crown.

Meanwhile, Mrs Thatcher's true supporters are understandably anxious to maximise her vote, so that Sir Anthony's gambit can be written off as a small, if irritating, historical footnote. A score or less of Meyer votes plus abstentions might just achieve that. Yet it is acknowledged that there would then be accusations to the effect that waverers had been bullied, either by the Whips or nasty whispering campaigns, or by ugly Labour Militant-style threats to get MPs to confess their votes to constituency party activists. When the Tory side of the Commons approaches mass panic some of its members behave very badly.

No wonder so many of them are going around mumbling that in terms of the effect on public esteem the ballot for the leadership is one vote the Conservatives can't win.

* * *

The new Home Secretary, Mr David Waddington, must be observing all this with mixed feelings. If Mr Nigel Lawson had not resigned as Chancellor just five short weeks ago Mrs Thatcher would not have been obliged to make her lightning reshuffle and he would still have been Chief Whip. It would have been his task, and not that of Mr Timothy Renton, to shepherd the leadership vote through. Now he is a mere observer, albeit from the lofty vantage point of one of the three senior ministries. If matters had gone differently when Mr Lawson stepped down on that famous afternoon of October 26, Mr Waddington may have been made something quite other than Home Secretary – it would not have surprised him if he had turned out to be, say, Transport Secretary.

In getting the Home Office he has, therefore, benefited from that most *precious of political attributes*: good luck. Mrs Thatcher may also be a beneficiary, since Mr Waddington is without question on the right of the party. In any Cabinet vote on, say, entry into the exchange rate mechanism of the European monetary system, he would be likely to take her *side against a potential Cabinet* majority of a more pro-European persuasion. His predecessor in the Home Office, Mr Douglas Hurd, would, as Foreign Secretary, be on the other side; even the new Chancellor, Mr John Major, might emerge as non-Gaullist and relatively unreliable.

The new Home Secretary has a reputation as a hanger, an unreconstructed law'n'order man and a scourge of immigrants. If only he were precisely that, some Tories say, he might win a few votes in the West Midlands, where they will be sorely needed. In fact the truth is rather more complicated. Mr Waddington regards Mr Hurd as having been a remarkably safe pair of hands, and he intends to continue that tradition.

On most issues he sees very little room for a change of direction, at least between now and the next general election. Whenever asked, he will say that he favours capital punishment – but he would be amazed if the House of Commons, on the free vote traditional in these matters, ever agreed to it. He will use the language of the law'n'order enthusiast when it comes to crimes of violence. His speeches will also emphasise concern for victims, redress of wrongs done to them, and their rights in judicial proceedings. A White Paper on criminal justice, due in January, will probably retain the Home Secretary's discretion over parole for serious and violent offenders.

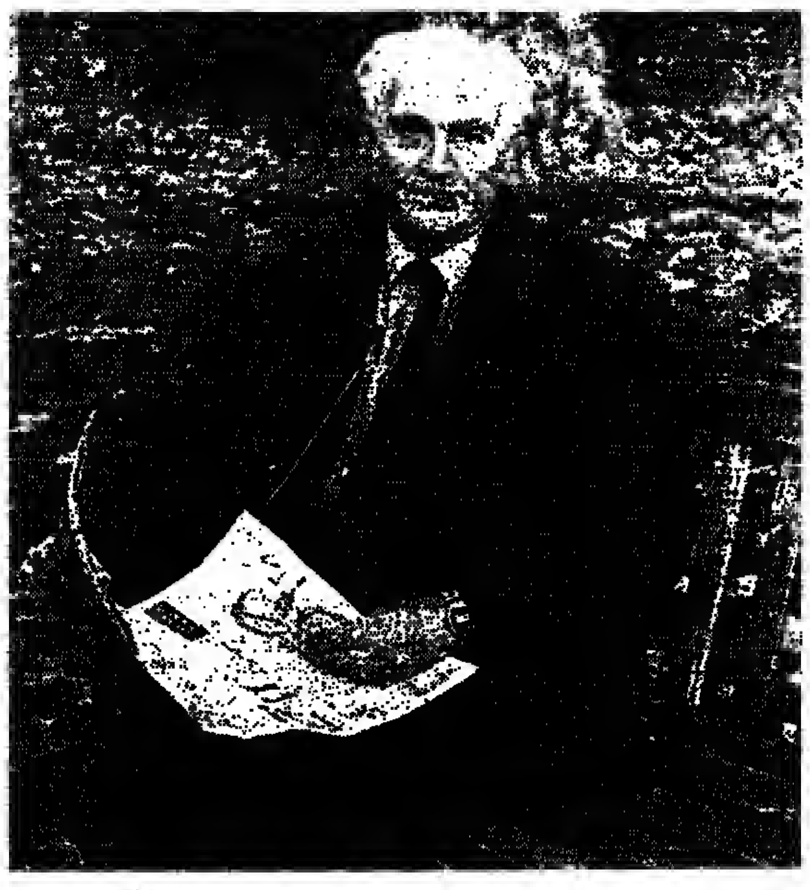
All of that should get cheers at the 1990 Conservative Party conference, but it is in essence a Waddington rhetorical gloss on Mr Hurd's "twin track" policy of seeking to send fewer minor offenders to prison and coming down heavily on the real thugs and gangsters. The Hurd/Waddington message is already getting through to the courts, with the result that the new Home Secretary has found that pressure on prison space has eased sufficiently for him to begin a programme of refurbishment of some of our Victorian monstrosities. The prison population is usefully lower than it was at the same time last year, mostly as a result of keeping younger offenders and remand prisoners out of jail. The plan now is to defer the start of four new prison buildings, and put money into "bail hostels" and similar schemes designed to reduce the prison population.

He does not see any pressing case for tightening immigration rules, although he would like to do so in the case of people who say they are refugees but whose papers do not stand up to British official examination. It was Mr Waddington who, in 1987, put through the Carriers' Liability Act after four years as a junior Home Office minister. The number of applicants for refugee status has more than doubled, to around 12,000 this year. A third of them were Turkish Kurds; Mr Hurd's Home Office stemmed the flow earlier in the year by requiring visas. Now the applicants tend to be Somalis, some coming through the Soviet Union.

There is plenty of room for doubt about the intent of these and similar laws; my own view is that the Government's policy is illiberal in the extreme. It deprives Britain of many bright and energetic people whose presence would help revive a flagging economy. We should be ashamed.

If we *are* to have such tight regulation it is important that the police and immigration officials act with fairness, tact and discretion. I am assured, correctly I trust, that Mr Waddington insists that his officials act without racial bias. His mechanism for ensuring this is the recruitment and promotion of more black and Asian immigration officers, careful screening of all applicants, and good training of the staff that exists. From the immigrants' point of view there is much headway to be made: one reads too often that the police/immigration officer posse can on occasion be a terror in some areas.

There is one thing the new Home Secretary could do about this quite quickly: he could make it plain, both in the Commons and outside, that decent, sensitive behaviour is expected at all times, without exception. This "signalling" is said by the Home Office to have worked in the case of the courts and sentencing policy. It should also be tried over race relations in general and immigration control in particular. In personal terms, Mr Waddington is a decent, affable Lancastrian. He saw off the anti-immigrant far right at a Tory party conference some years ago. Let us wait to hear what he has to say now that he speaks from a post of high authority.



Sir Anthony Meyer

LOMBARD

Two faces of the Community

By David Buchan

CHARITY begins at home, or at least with close neighbours. The European Community this week seemed to be turning a cold shoulder to distant ex-colonies in the Third World while giving new "colonies" in adjacent eastern Europe a warm embrace.

Consider the Community's negotiations for a new *Lomé* aid and trade pact with 66 African, Caribbean and Pacific (ACP) states, mostly former colonies of the Twelve.

A few weeks ago, EC diplomats stayed up all one night to agree a common negotiating stance among the Twelve in the belief that the ACP representatives were *doing the same* for their group. They later discovered that their counterparts had finished their Lomé business hours earlier in order to engage in a quite extraneous disagreement about the appointment of the next ACP Secretary-General.

This week the Community more than got its own back. It first demanded that the ACP states accept all the terms of *the new Lomé pact before it* would put a price tag on the total volume of aid to be disbursed to them. It then kept them waiting for another day *before coming* up with a take-it-or-leave-it figure.

Contrast this with the way Community goodwill has greased the passage through the EC Council of Ministers of aid and trade concessions to Poland and Hungary. Indeed, it seemed that the Community could not improve its offers fast enough.

Poland is one example. In February Brussels was ready to reduce, but not abolish, quotas on Polish industrial goods. By April it was ready to phase out all such quotas by 1994, and an agreement to that effect was signed in Warsaw in September. By early November it agreed to abolish these quotas by January 1 1990, increase the farm trade concessions in the September accord, and give Poland preferential tariff status normally awarded to developing countries. On November 22 the Commission proposed putting Poland (and Hungary) ahead of many other exporters to the EC by exempting them next year from quotas on sensitive items such as cars and shoes. Five days later – whoosh – the proposal was through the Council without a murmur.

There is, of course, an element of chalk and cheese in the differing treatment given to eastern Europe and the ACP states. The Lomé convention is a 10-year deal, and the EC offer of Ecus 10.7bn (£7.8bn) for the first five years of it is not stingy. With eastern Europe, Brussels is catching up in order to end 40 years of ostracism. But the contrast has not gone unnoticed among the ACP states. Senegal's ambassador to the EC recently calculated that the Community was giving the equivalent of $60 in aid to every Pole and Hungarian, while the ACP states were receiving only $7 per head.

A weakening of the Community's emotional ties – some of which were not very strong in the first place – with its former Third World colonies was probably inevitable over time. West Germany, the EC state most drawn to the East, pays a *full quarter of the* Lomé bill. But it has only a passing historical connection with five of the ACP states: Togo, Rwanda, Burundi, Tanzania and Namibia (due to join Lomé next year). The commercial benefits of Lomé membership have also waned with every Gatt round that cuts EC tariffs on all goods and gnaws away the ACP relative advantage of duty-free access to the EC market.

Efforts by Brussels to persuade the ACP states to try to wring concessions from other rich markets – the US and Japan – have not worked because the 66 have no historical or emotional hold over Washington or Tokyo. The rich man's club has instead been fully mobilised to help Poland and Hungary (and probably Czechoslovakia and East Germany next).

Overcoming the East-West divide is far higher on the Community's agenda than narrowing the North-South gap. But if the post-1992 single market creates the extra wealth it is supposed to, then the Community will not have to choose. It will have the loot to pursue both goals.

LETTERS

The need to stay the course

From Mr Michael Gray.

Sir, Michael Prowse's article, on the need for radical curriculum change if we are to increase the participation of young people in full time education at 16-plus to the level achieved by our chief competitors, is as good a survey of the problem as I have ever read (November 29).

And he is right to put the curriculum first. In the past two years the encouraging effect of GCSE (General Certificate of Secondary Education) has had a marked impact on the student participation rate at 16-plus – which, in the Alton area of Hampshire, rose from 57 per cent to 65 per cent as a direct result of that important curricular change.

However, the institutional organisation of post-16 study is also important.

There is now a great deal of evidence that where LEAs (Local Education Authorities) have created separate post-16 establishments – such as sixth form or tertiary colleges – there has been a significant increase in participation rate as a direct result; and a tertiary college, with its experience of both the academic and vocational curricula, is well placed to develop the sort of modular maze that Michael Prowse describes.

A further issue is the salary structure for teachers at the 16-plus level.

If we are to succeed in attracting and retaining the best qualified honours graduates, and the men and women with good industrial experience, whom we shall need, in order to provide a high quality service at 16-plus, then we shall have to persuade the UK Government that we are competing in a market place for such people, and have to pay them at the levels enjoyed by the teaching profession in most of our competitor nations.

Michael Gray,
Principal,
Alton College,
Alton,
Hampshire

Facing east

From Mr Nicolas Travers.

Sir, Richard Lucas's claim that East German currency exports return home to swell German Democratic Republic (GDR) domestic money supply takes an academic view which – sadly – pays scant regard to hard market place realities (Letters, November 29).

The GDR Government exports banknotes to secure badly needed hard currency. These exports have grown rapidly over the past couple of years, and the free market price of the East German MDN has fallen as the export flow has grown. (GDR political reform – and the opening of the GDR's western borders – is a useful political cover for a gainful economic exercise.)

The GDR Government has had to work progressively harder for its hard currency by printing progressively more exportable banknotes as the free market price of the MDN has fallen. But the GDR Government has also neatly profited from short-selling its paper; 1,000 MDN might have bought a 100 or so Deutsche Marks a year or so ago; today 1,000 MDN might be bought for 50 or so D-Marks.

So short selling and subsequent repurchasing in a falling market has enabled the GDR Government to print banknotes, sell them abroad for badly needed hard currency, and then both buy them back much more cheaply and retain much of the hard currency earned in the exercise before recycling the banknotes through the whole process again – with no noticeable effect on GDR money supply at all. The GDR Government has the power to stop the recycling any time, simply by removing the banknotes from circulation and tearing them up.

Short selling is also helping the GDR Government to "demonetise" its monetary overhang: East German savers have rushed to translate MDN into western consumer goods. However, in a bitter irony these unfortunate savers are financing their transactions by buying banknotes to sell them at notionally ridiculous prices, in an exercise which helps both to swell both GDR Government short selling and GDR short selling benefits.

East Berlin can really be quite bright – not to mention opportunistic – at times.

Nicolas Travers,
Birchfield Cottage,
Middle Green,
Slough, Berkshire

Kashmir's disputed status

From Mr M.B. Khan.

Sir, Your reporter in India, writing about the elections, failed to mention in his report (November 23) that the people of Kashmir, one of the 15 states to have elections on November 22, boycotted the elections.

According to the bureau chief of the Kashmir Times (the largest circulating English daily newspaper of the state), when he was interviewed on the BBC World Service, the most conservative estimate of the turnout in Kashmir was less than 2 per cent. According to his account, people stayed indoors, and no important incident of violence was reported.

However, the small minority of people who wanted to vote did so without fear of intimidation. It may be pointed out that the only party to put forward its candidates was the ruling coalition of National Conference and Rajiv Gandhi's Congress-I, which came to power in the state after large-scale rigging in 1987. The other candidates were unknown individuals.

The people of Kashmir boycotted these elections as a protest against the illegal occupation of their state by India, since 1947.

The illegal status of the Indian occupation is laid out in two resolutions of the United Nations Security Council (passed on August 13 1948, and January 5 1949). These resolutions, initially accepted by India, lay down the procedure to decide the question of Kashmir, including the holding of a plebiscite under the auspices of the UN.

However, even though UN observers continue to be stationed in Kashmir, confirming its disputed status, India has yet to honour the commitment, made to the world in the UN, to hold the plebiscite in Kashmir.

The people of Kashmir deserve all possible help from the West – as they deserved it at the UN (Britain and America, among other western countries, fully supported their case at the UN). Not only is Kashmir the biggest piece of land under foreign occupation (Channel 4 report on Kashmir), but also its people have chosen, so far, the most peaceful ways of bringing about an end to occupation by India.

M.B. Khan,
Department of Chemical Engineering,
Imperial College,
University of London

'HMG is a forgiving employer'

From Mr Michael J. West.

Sir, Your editorial, "Short-changing the taxpayer" (November 29), may give the impression that the sale of the Rover Group to British Aerospace marked a departure from what has otherwise been careful and frugal UK Government practice in asset sales.

You say: "In this instance, ministers . . . failed to achieve a fair price for taxpayers." Using the yardstick of offer price compared with price at the end of first day's trading, every fixed price sale from Amersham (1982) to TSB lost taxpayers' money: the total is about £3¼bn.

You go on to exonerate Baring Brothers, the adviser to the Government. Would you also exonerate NM Rothschild, adviser on the Amersham sale, a cause of disquiet in 1982? Clearly Her Majesty's Government did: NM Rothschild appeared again, advising on the even more valued Rolls-Royce offer in 1987.

But Her Majesty's Government is a forgiving employer. Baring Brothers itself seems to have been forgiven for Cable and Wireless in 1981, even though this was more than five times over-subscribed and transferred some £39m from the taxpayer by under-pricing.

With such advisers, who but HMG would also employ underwriters? Perhaps ministers should consider employing BAe as adviser: two such coups as Royal Ordnance and Rover suggests a shrewdness which would be useful to the Treasury.

Michael J. West,
Planned Business Services,
6 Portman Mews South, W1

FINANCIAL TIMES
Friday December 1 1989

Gorbachev calls for early European summit

By Quentin Peel and John Wyles in Rome

PRESIDENT Mikhail Gorbachev, the Soviet leader, yesterday responded to the upheaval in Eastern Europe with a call for a summit meeting of all 35 nations involved in the Helsinki process to be brought forward to 1990, in effect to lay the foundations for his vision of a "common European home."

Mr Gorbachev spelt out new details of his plan, calling for the creation of a "European legal space," not with identical laws, but with "complete uniformity in the understanding and application by all states of the norms of international law."

Speaking in the Campidoglio in Rome, venue of the signing of the Treaty of Rome which founded the European Community in 1957, he chose the moment when the once-impenetrable frontiers of Eastern Europe had begun to open to describe his own view of the future Europe.

"In the final analysis," he said, "we envision Europe as a commonwealth of sovereign democratic states with a high level of equitable interdependence and easily accessible borders, open to the exchange of products, technologies and ideas, and wide-ranging contacts among people."

At the same time, he dismissed any thoughts that the Soviet Union was about to "renounce socialism" as "wishful thinking," insisting instead that the new thinking of Moscow was to revive socialism on the basis of "the primacy of universal human values."

In a sweeping philosophical speech he said: "We have abandoned the claim to have a monopoly on the truth. We no longer think that we are the best, and that we are always right.

"We have now decided, firmly and irrevocably, to base our policy on the principle of freedom of choice, to build our economy and technology on the principle of mutual advantage, and to develop our culture and ideology through dialogue."

He also spelt out what he described as the most challenging problem faced by the Soviet Union as the "rebuilding of the multi-national Soviet Federation," in which the legacy of long suppressed ethnic problems had suddenly "burst out to the surface."

Mr Gorbachev's plan for a dramatic acceleration of the Helsinki human rights and disarmament process, bringing forward the planned summit by two years, would seem to cut across carefully-laid plans for a series of meetings to discuss the full range of human rights, economic and cultural co-operation.

Mr Gorbachev directly linked the idea to the current East European upheaval which has culminated in the explosion of political reform in East Germany and Czechoslovakia in recent weeks.

"I believe that this year's events underscore the desirability of an all-European summit, a Helsinki-2 meeting," he said. "We could consider advancing its date from 1992 to, say, as early as 1990."

His suggestion would also mean that the 35-nation summit, involving the US and Canada as well as the European nations, could coincide with the planned 23-nation meeting of the Nato and Warsaw Pact allies to finalise their intended conventional armed forces reduction agreement.

Mr Gorbachev's idea of a "European legal space" remains rather vague but it is clearly linked to his own marathon efforts to create – virtually from scratch – the foundations of a "law-based state" in the Soviet Union.

He said that much had already been done in the Soviet Union to bring its domestic legislation in line with the concluding document of the Conference on Security and Co-operation in Europe (CSCE) in Vienna, and with United Nations guidelines.

He added that the possibility of joining the European Convention of Human Rights was now under active consideration in Moscow.

Mr Gorbachev described 1989 as "an extraordinary and very significant year."

The socialist countries were now the focus of international attention as "one after another (they) are crossing the line beyond which there is no return to the past."

● Separately in Rome yesterday, Mohammad Zahir Shah, the 75-year-old former King of Afghanistan, and Italian party leaders were among the obligatory meetings held by Mr Gorbachov and Mr Eduard Shevardnadze. Moscow faces fresh nationalist protests, Page 4

Czechoslovakia ready to open southern border with Austria

By John Lloyd and Leslie Colitt in Prague

Radical Czechoslovak economist Dr Valtr Komarek: ready to be Prime Minister "if the people so desire"

CZECHOSLOVAKIA is to open its southern border with Austria – dismantling another section of the Iron Curtain between East and West.

The opening of the border, announced by the country's embattled Government yesterday, was the latest in a series of developments underscoring the breaking up of Communist power in Czechoslovakia.

In other moves, the Communist Party Central Committee was attacked by its youth movement and the Prague Communist Party leadership for being incapable of reform. Seperately, Mr Jan Kvapil, head of Czech radio, resigned after some 90 per cent of his staff expressed a lack of confidence in him.

Mr Marcel Janson, the deputy government spokesman, said the Ministry of the Interior had been ordered to "begin work to dismantle the barriers and technical installations on the state border with Austria" – adding that this would not damage the defence of the country.

Meanwhile, in an interview with the Financial Times, Dr Valtr Komarek, head of the Prognostik economics institute and widely touted as future Prime Minister of a democratic Czechoslovakia, said: "If the people so desire and if it depends on me saying yes or no, then probably I would accept being Prime Minister. . . I do not want to let the people down."

This contrasts with a much more coy answer to a press conference he gave yesterday when he protested that he was a simple economist who would prefer the role of adviser.

He warned that the Civic Forum was making "too many compromises" in negotiations with the Government, saying that "they are no longer the opposition and they need no longer accept compromises. They must make the most of the moral support extended to them by the nation."

Mr Ladislav Adamec, the Prime Minister, who yesterday won praise from the Civic Forum and ordinary citizens for a speech on Wednesday night promising reforms, is attempting to construct a coalition Cabinet by the Sunday deadline set by the Forum. His caretaker Cabinet met yesterday to discuss the budget for next year.

However, Mr Gustav Husak, the President and former party leader for much of the period since the 1968 Warsaw Pact invasion, reportedly told deputies on Wednesday night that he would not resign by Sunday December 10 as demanded by the Forum. He said he would stay until his term of office ended in May.

Civic Forum thinks it unlikely that he will be able to maintain this posture of defiance against its opposition.

Mr Vaclav Havel, figurehead of the opposition and the focus of the effective power in the country, yesterday received both the general secretary of the Socialist Party and the editor of the main Communist Party newspaper Rude Pravo. The Forum is now picking and choosing among a number of buildings eagerly offered to it by the municipal authorities for its headquarters, including the Palace of Culture (which it has rejected).

The Prague city party committee aligned itself with the increasingly radical demands of the instant reformists in the party base by rejecting the changes in the leadership made by the Central Committee over the weekend as a mere reshuffling of portfolios. The youth movement central committee roundly castigated its older equivalent, protesting that it itself had long stood for renewal and change.

Komarek throws *his hat* into the political ring, Page 3.

France to press for European aid bank

By George Graham in Paris

FRANCE is to submit a detailed proposal for the creation of a European Development Bank, intended to finance projects in Eastern Europe, to the European Community summit in Strasbourg next week.

Officials have agreed the proposal outlines to put to the summit. France, which currently holds the EC presidency, hopes the meeting will decide on an intergovernmental conference grouping not just the 12 EC countries, but also the countries of Eastern Europe and members of the European Free Trade Association (Efta), with the aim of drawing up the development bank's statutes.

The idea of the European Development Bank was floated by President François Mitterrand of France at the European Parliament in October and discussed at a meeting of heads of government in Paris two weeks ago.

Other countries have expressed reservations about the idea, including the Netherlands, West Germany and Italy. These reservations seem, for the most part, to have been overcome and diplomats say that even the UK seems unlikely to stand out against a decision to create the bank.

The French goal is an institution similar to the Asian Development Bank, with a capital of about Ecu10bn ($11bn), providing finance both on concessional terms and at market interest rates. The 12 EC countries would have a majority of the capital but the countries of Eastern Europe, together with Efta countries and perhaps also the US and Japan, would also have shares in the bank and be represented on its board. France is keen not to allow the decision in principle to get bogged down in discussions of where the bank would have its headquarters. Berlin, however, has been suggested as a possible site.

Critics of the scheme say that the European Investment Bank (EIB) already performs the same sort of project financing, and could be expanded to take on the additional role of *co-ordinating EC financial support* for the overhaul of the economies of Hungary, Poland, East Germany, Czechoslovakia and the Soviet Union.

French officials point out, however, that the EIB is exclusively an EC institution; there can be no question of the Soviet Union, for example, sitting *on its board and deciding* on whether to fund projects in, say, Portugal.

The new bank would be fundamentally different in that it would associate the countries of Eastern Europe, creating the first pan-European institution.

The EIB might, however, take a stake of perhaps 5 to 10 per cent in the new bank. It might also act as a pathfinder, carrying out some of the development bank's future roles while the statutes are drawn up and ratified by each member country and the structures put into place. This is expected to take at least six months to a year, even if the all countries involved decide to press ahead at full speed.

The Eastern European countries who would be the main targets of the bank's funding have expressed interest, but some countries are cautious about committing themselves until the details are clearer.

The constitution of the bank would raise practical problems for Eastern European countries, including currency convertibility and the extent of their entitlement to concessional funding. EC officials are adamant that the bank's funding must be heavily conditional on economic reforms, and that participation in its capital will entail no automatic loan eligibility.

UK cuts export credits to Iraq after arrears concern

By Victor Mallet in London

BRITAIN has sharply reduced its annual line of credit for exports to Iraq to £250m ($390m) for 1990 from this year's £340m, amid continuing concern about Iraqi repayment arrears on previous credits.

Lord Trefgarne, UK Trade Minister, put a brave face on the matter when he announced the deal yesterday, saying that Iraq had made significant economic progress since last year's ceasefire with Iran. The latest medium-term facility, backed by the Export Credits Guarantee Department, would open up "new opportunities for British companies".

Lord Trefgarne's meeting in London with Mr Mohammed Mehdi Saleh, his Iraqi counterpart, was overshadowed by a dispute over a London-based journalist and a British nurse jailed in Iraq on accusations of spying, and by the question of arrears. At one point this year the backlog reached £100m.

UK exports to Iraq have increased with the available credit, from £272m in 1987 to £412m in 1988 and £383m in the first 10 months of 1989.

British diplomats have attempted to keep their trading relationship with Baghdad separate from the issue of the prisoners, although senior Whitehall officials acknowledge that they are angered by Iraq's refusal to allow consular access to Mrs Daphne Parish.

She and Mr Farzad Bazoft, a journalist for the London newspaper, The Observer, were detained more than two months ago after he tried to investigate news of an explosion at a military factory in which hundreds of people were reportedly killed.

Thatcher in row over Rover-BAe deal

By Our Industrial, Political and Foreign Staff

THE BRITISH Government was yesterday plunged into fresh controversy over its sale of the Rover Group to British Aerospace. It was forced to admit that it had made secret financial concessions to BAe.

Mr Nicholas Ridley, Secretary of State for Trade and Industry, confirmed in the House of Commons damaging details of the BAe deal contained in a leaked confidential memorandum from the National Audit Office, the parliamentary watchdog.

The NAO disclosure that the Department of Trade and Industry had made concessions worth up to £38m ($58m) to persuade BAe to go ahead with the deal appears certain to set the UK on a collision course with the European Commission, which has previously forced the Government to reduce its planned cash injection into Rover.

The Commission yesterday wrote to London *demanding* an explanation.

The latest twist in the Rover saga led to angry exchanges in the Commons between Mrs Margaret Thatcher, the Prime Minister, and Mr Neil Kinnock, the opposition Labour leader.

Mr Kinnock accused the Prime Minister of seeking "to deceive Parliament," of being "less than honest with the European Commission," and of "selling short" the taxpayer.

He said the "whole affair was a rip-off" and demanded to know what the Prime Minister would do "to get the British people's money back."

Amid rowdy scenes Mrs Thatcher said that the only "rip-off" had been the £3bn of taxpayers' money that had been poured into Rover to keep it afloat since 1975.

The embarrassing leaked memorandum from the NAO, which will be put to a meeting *of the public accounts* select committee on Monday, discloses that the Department of Trade and Industry:

● allowed BAe to delay its £150m payment for Rover until the end of March 1990. The deal was agreed in August last year and it is understood that no payment has yet been made. The NAO valued this concession at £22m;

● paid BAe £9.5m towards its buy-out of the minority Rover shareholders;

● reimbursed a further £1.5m in costs accrued by Rover;

● agreed to pay BAe's £5m contribution towards the European Space Agency Columbus programme.

If the Commission finds that the money was not provided for in the complex arrangements agreed with the UK it could demand repayment.

Strike lay-offs, Page 7

WORLD WEATHER

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Zurich	[illegible]	[illegible]

Readings at mid-day yesterday

Philosophical banker became a target

Continued from Page 1

Size itself was not Deutsche Bank's object. "Nothing we do is done out of ambition or an exaggerated self-understanding. The bank's aim was to be "among the leading group of internationally active banks doing business around the globe and around the clock."

Mr Herrhausen, a former member of the national hockey team, joined the bank nearly 20 years ago, having previously been the finance director of VEW, the Ruhr utility. Born in Essen in 1930, he retained a deep concern for the area and was active in promoting its industrial restructuring.

"When I joined in 1970, we were a Deutsche Bank doing international business from a German base," he said. It had no branches outside West Germany then. Now, it has more than 300.

The intended acquisition of Morgan Grenfell was the latest and biggest step in a process which had strengthened the bank's presence in Italy, Spain, and other European countries, as well as in the Americas and the Far East. It is represented in the Soviet Union, Hungary, and Poland, and was considering how to reassert itself in East Germany now the borders have opened.

His death removes a provocative figure from public and business life.

THE LEX COLUMN

Ferranti's woes writ larger

There is something rather poignant about the spectacle of Ferranti issuing writs against people it cannot find and Panamanian companies which no longer exist. The sums seem to be getting larger all the time: the gross value of the fraudulent contracts is now put at $444m and the net cash stolen at $198.5m. On top of that, Ferranti is claiming compound interest stretching back as far as 1983, when the fraud apparently started, plus unspecified damages for the harm done to its other operations.

If any of this were realistically recoverable, the proposed new 1p Ferranti shares entitling the holder to the proceeds would be an interesting speculation. Even without the compound interest, the cash would be worth 17p a share, or rather more than a third of the current market value. But merely tracking the money, let alone recovering it, will doubtless take years. If the 1p shares ever make it to the market, they will have a strictly specialised appeal: though they might be a useful hedging instrument for International Signal's ex-auditors, Peat Marwick.

Back in the real world, Ferranti's future is still deeply obscure and its share price becalmed. Ferranti has hit on the *simple* device of making Coopers and Lybrand's report on the fraud available only to prospective buyers, who are thereby insiders and may not buy in the market. It is highly unlikely that anyone else would mount a raid in ignorance of the report's contents. Whether this cosy arrange*ment is in the best interests of* Ferranti's long-suffering shareholders is an open question, which could usefully be raised at the AGM on December 20.

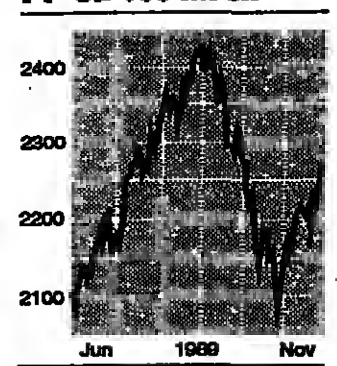
BPB

BPB's managers may not look gambling types, but they *are in a high stakes* poker game at the moment. Faced with a downturn in demand, a challenge to its monopoly in the UK market and falls in plasterboard prices across Europe, BPB is increasing its capacity and capital expenditure. It counts on plasterboard demand growing at 7 to 8 per cent per annum in the 1990s; if it can see off its rivals and maintain its firm hold on the UK and many other large European markets, BPB should reap the benefits.

The deliberate creation of overcapacity in the confident expectation of strong growth sounds ominously like the strategy followed by the steel industry in the late 1970s. However, the crucial factor in favour of BPB is that it is determined to be the low cost producer. That ought to ensure its long term success, but the next two years could be hairy. Demand for UK plasterboard is 20 per cent down on its peak and BPB is losing market share; Redland and Knauf seem likely to keep prices low in order to dent further BPB's hold in the market. The second half may be marginally worse than the first, with overall profits down 28 per cent for the year at £145m; there could be a *further fall in 1990/1.*

A further imponderable is the new MMC investigation which BPB says it welcomes; but the outcome of such inquiries can often surprise the parties concerned. The shares rose 8p to 218p yesterday, probably on bid hopes. Given the current uncertainties, a bidder would need to be a very cool poker player indeed.

FT-SE 100 Index



MEPC

The rest of 1989, and probably the first six months of 1990, look like being a dead period for the shares of the largest property investment companies, including MEPC. Respectable though the company's overall results were yesterday, with net assets per share up 21 per cent at £8.81, the mere 3 per cent value growth in its City of London office portfolio in 1988-9 was a graphic indicator of how sluggish the market has become.

If MEPC can find tenants at £45 per square foot for the whole of its 400,000 square foot Alban Gate development, off London Wall, it will help stock market sentiment. The trouble is that the City expects MEPC's net assets per share only to reach some 925p by next summer, representing growth of only 5 per cent. Since a drop in UK interest rates seems hardly imminent, it is hard to see any compelling reason to buy MEPC's shares at this point, even on the 43 per cent discount to the prospective net asset value implied by last night's closing share price of 508p.

None of that is a reflection on MEPC's management; and if one writes off 1989-90 as years the share price would rather forget, the figures make sense only as pointers to what will come later. This year, MEPC's shares have been outperforming both Land Securities' and, by a wide margin, those of Hammerson. That looks justified by yesterday's evidence of some particularly acute management at MEPC. One striking point is the way it has used the swaps market to bring down its average cost of borrowing to 10.5 per cent; even though 84 per cent of its debt is unsecured. When stock market sentiment towards property does change, MEPC should get its reward.

Royal Bank

The 8p fall in Royal Bank of Scotland's shares yesterday might seem a grudging response to a 20 per cent rise in the annual dividend and a robust increase in bad debt provisions. But the latter was perhaps part of the problem. The market is used to Third World debt write-downs, but has yet to brace itself to the full impact of LBOs going wrong. The bulk of Royal's £600m or so of exposure will be eminently sensible deals arranged by Charterhouse; but Lowndes Queensway is in there as well, which can only be unsettling.

That apart, Royal still looks like one of the cheapest banks in the world in stock market terms. At yesterday's 177p the shares are at a discount to book value, a prospective yield of over 6 per cent and a multiple of under 6. The last in particular looks ludicrously at odds with the price being fetched by Morgan Grenfell. But then, there has not been a successful hostile bid for a UK bank since 1969. Royal itself is among those to have seen off an unwanted predator. On more fundamental grounds, the shares might be helped if Yorkshire Bank goes for a fancy multiple: always supposing, of course, that Royal itself is not buying it.

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COMPANIES & MARKETS
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Friday December 1 1989

INSIDE

Europeans look across the Channel

The ease with which Australian Mutual Provident took over Pearl Group has underlined as never before the vulnerability of UK composite and life companies compared with the rest of Europe. As the major European insurance companies look beyond their own frontiers in the lead-up to 1992, the UK companies are the most obvious target. Indeed, within 24 hours of AMP's victory the signs were ominous, as Generali of Italy bought into Guardian Royal Exchange and Athena of France raised its stake in Refuge Group. Patrick Cockburn considers whether there is now an open season in the British insurance industry. Page 28

Ploughing a lonely furrow

If Colin Moyle (left) were Farm Minister of just about any European Community country, he would doubtless be impaled on the end of a pitch fork. As Minister of Agriculture and Fisheries in New Zealand since 1984, he has been responsible for a programme of subsidy dismantlement so far-reaching that he was able to tell an audience in Brussels last week: "New Zealand's agriculture industry is now almost entirely market-driven." Tim Dickson talks to the man who insists that farmers everywhere can be persuaded that protection is against their interests. Page 30

North-south split in the East

South-east Asia's stock markets are in a period of transition. The cause is a north-south divide in which productive capacity is moving to the south of the region as wealth and strong currencies are concentrated in the north. William Cochrane reports. Page 42

Light at the end of the pipe

Transco Energy has been through some rough times. It suffered three years of losses and nearly 10 wading through a regulatory swamp caused by the US Federal Energy Regulatory Commission as it moved to bring an open access carrier system to the gas transmission industry. The chaos helped bring Transco near to bankruptcy. "Here is one company that is lucky to be alive to tell about it," says Mr George Slocum, Transco's chief executive. Yet now that gas transmission is deregulated, he is optimistic about the company's prospects as US consumption grows by about three to four per cent a year. He anticipates that Transco will make a profit this year. Page 18

Esops: much more than fables

When Chevron announced on Monday that it would put about 5 per cent of its shares into an employee stock ownership plan, it was following in a long line of US corporate giants which have turned to Esops more than 30 years after their introduction. The move is not because companies suddenly wish to give their employees more — it is also because they have just woken up to Esops' usefulness in discouraging corporate raiders and Wall Street arbitrageurs. And, contrary to widespread expectations, the politicians did not act against Esops in last week's Budget Bill. So, writes Anatole Kaletsky, the employee-ownership bandwagon is set to continue to roll across America's industrial heartland. Page 20

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
DLW	725	+	10	CFS	177	+	8.4
Hapag Lloyd	330	+	10	Eurotunnel	52	+	2.1
Mannesmann	288	+	20	Poliet	594	+	27.2
Siemens	630	+	13.5	SFIM	1869	+	111
Falls				**Falls**			
Beiersdorf	788	−	12	DMC	556	−	15.6
Leifheit	625	−	17	SCOA	46	−	1.4
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
General Elec	61¾	+	¼	Daiwa Seiko	1080	+	100
Philip Morris	42⅛	+	¼	Kuribayashi	2340	+	290
UAL	162⅝	+	1⅞	Leed	1260	+	130
Falls				National Secs	2030	+	200
Bk New England	12⅞	−	1⅞	Nippon Tung	1540	+	140
Bk New York	40	−	1½	Nishishiba	915	+	75
Slk Greenhouse	10	−	7⅞				

New York prices at 12.30

LONDON (Pence)							
Rises				Manweb Cornes	230	+	4
BAA	377½	+	11½	Metal Closures	165	+	6
BPB	218	+	6	Racal Elec	255	+	10
Body Shop	407	+	25	THF	295	+	8
Dawson Intl	229	+	8	Unilever	669	+	10
Erskine House	175	+	7	**Falls**			
GKN	406	+	11	Peters (M)	53	−	12
Goldberg (A)	91	+	7	Royal Bk Of Scot			
Guinness	827	+	23		177	−	8
Hambros	265	+	18	Saatchi	284	−	11
Lucas	605	+	21	Wellcome	721	−	8
Marks & Spencer	200	+	5				

Scandinavian Bank set to go private

By David Barchard in London

THE PARENTS of Scandinavian Bank Group, the 15th largest UK bank by asset size, yesterday surprised the London market by making a cash offer to convert it into a privately-owned group.

The move comes less than three years after the bank was floated on the London Stock Exchange.

Last year SBG earned pre-tax profits of £23.6m ($37m), but recently its performance has been disappointing.

The board warned yesterday that the bank expected to make a loss of £2.8m in the current year, after making provisions of £15.6m against losses on sovereign debt and swaps contracts with local authorities in the UK.

It said that its losses on swaps contracts could run as high as £9m, though the group would pursue every means of recovering the amounts due to it.

The parent banks are offering 225p a share in cash through Scandinavian Investments for the 35.4 per cent of the bank that they do not own. The offer gives minority shareholders a handsome premium, pitched at 69 per cent above Scandinavian Bank's closing middle market price of 133p on Wednesday.

Scandinavian Investments' move was not anticipated, though SBG's performance has been disappointing since its flotation.

One City analyst said yesterday that SBG had been a case of a merchant bank which had been floated too early for its own good.

SBG described the delisting yesterday as part of a response by the shareholder banks in Scandinavia to the deregulation of their local financial markets and the prospect of the removal of trade barriers due to the formation of the single European market in 1992.

SBG was launched in March 1987 with shares denominated in special multi-currency units. It currently has a balance sheet of over $3bn.

The group employs 1,240 staff worldwide and has offices in London, New York, Geneva, Hong Kong, Sydney, Milan and Sao Paolo.

Scandinavian Investments is owned by SBG's main shareholders: Bergen Bank, Union Bank of Finland, Skandinaviska Enskilda Banken, Privatbanken and Landsbanki Islands.

The three independent directors of SBG, headed by Mr Garrett Bouton, chief executive, and Mr Niel Daubeny, group finance director, yesterday unanimously recommended shareholders to accept the offer, which gives the group a market value of about £179m.

Mr Bouton said that the bank's Scandinavian shareholders had decided they wanted SBG to shift to a more flexible and personalised service directly for them, with more emphasis on its international merchant banking and capital markets skills.

Saatchi in move to sell US consultancy to Cap Gemini

By Alice Rawsthorn in London

SAATCHI & Saatchi, the troubled communications group, is believed to be negotiating the sale of Gartner Group, one of its larger US consultancy companies, to Cap Gemini Sogeti, the French computer services company, for $100m.

CGS is thought to have agreed the basis of a deal whereby it would buy the business, initially in association with the Gartner managers, and would then buy back their shares in a series of performance-related payments.

The Gartner management team is said to prefer to stage its own buy-out and is reluctant to agree to CGS's proposals. The French group is thought to be unwilling to conclude the deal without the management's consent.

Gartner specialises in computer industry research from Stamford, Connecticut. It was sold to Saatchi for $78m last year. Cap Gemini has grown rapidly by buying several small computer service companies. It refused to comment yesterday, as did Saatchi.

Saatchi has been struggling to sell its consultancies since it put them up for sale in June. It is believed to be keen to clinch the Gartner deal to offset the impact of its preliminary results when they are published on Wednesday.

The group is expected to announce a sharp decline in pre-tax profits from £138m ($218m) to less than £60m for the year to September 30. Analysts think it might have made a loss for the year after restructuring costs, and that it may be unable to maintain its dividend. Saatchi's shares, which have fluctuated with bid rumours, fell by 11p to 284p in London yesterday.

Mr Maurice Saatchi, the chairman, who founded the group with his brother Charles, recently relinquished his role as chief executive in favour of Mr Robert Louis-Dreyfus. But Mr Louis-Dreyfus has told New York analysts that he has not yet signed a contract with Saatchi.

Saatchi needs to sell its consultancy division to reduce borrowings. So far it has only sold two small companies. Some prospective purchasers have been deterred by the risk that the senior managers could leave, or refuse to co-operate, after the sale.

UK plasterboard maker may seek EC probe of 'dumping' by rival

By Andrew Taylor in London

BPB INDUSTRIES, Europe's biggest plasterboard manufacturer, is considering asking the European Commission to investigate allegations that Redland, one of its two main UK competitors, has been dumping imported plasterboard into Britain.

For most of the past 20 years BPB has been the sole British plasterboard manufacturer. But two years ago Redland, the UK building materials company, formed a joint venture with CSR, an Australian building materials group, to supply plasterboard to the UK.

BPB, which yesterday announced a 28 per cent fall in pre-tax profits to £74.6m ($116.4m) during the six months to the end of September, wants the Commission to investigate imports of plasterboard from Scandinavia and Spain made by Redland and CSR during the past 18 months.

Plasterboard prices in Britain have fallen by about 10 per cent during the past year as a result of increased competition from Redland and Knauf, the largest West German plasterboard manufacturer. Redland and Knauf have this year both opened UK plasterboard manufacturing plants.

BPB is also suffering from the effects of a price war in West Germany, where prices have fallen by more than 30 per cent since 1987 and in France, where prices have fallen by about a 10th.

The British group is the largest plasterboard supplier in France, Italy, Sweden, Austria and the Netherlands and the second largest producer in West Germany and Norway.

Mr Alan Turner, BPB chairman, said profits from continental operations fell by 40 per cent, even though sales volume was higher than in the first half of previous year. This was due to lower selling prices, rationalisation costs and capital investment in new plants.

BPB's sales of plasterboard in the UK had been hit by the high interest rates that had reduced spending on housebuilding and on residential repair, maintenance and improvement work.

The group said sales had fallen by about 20 per cent from the peak at the beginning of this year.

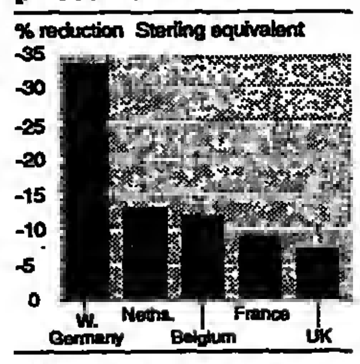
Mr Turner said: "Sales volume in the western European market is expected to double during the next 10 years."

Group turnover during the first half rose by 5 per cent to £508.5m. Earnings per share, however, declined 26 per cent to 12.3p. The interim dividend was increased from 3.75 to 4p.

Sir Gordon Borrie, Director General of Fair Trading, this week called for an investigation of the UK plasterboard market by the Monopolies and Mergers Commission after BPB asked to be released from undertakings on pricing policies made to the commission in 1977.

Lex, Page 16

Reduction in board prices 1987-9



France rewrites its chemical equation

William Dawkins on plans to reorganise the industry

If proof were needed that central industrial planning is still alive in modern France, one need look no further than the long-awaited reorganisation of the state-owned chemicals industry, now being given its finishing touches by the Government.

The official aim of the reshuffle, the first for six years, is to make the main players in the state-owned chemicals sector less fragmented and to give them the muscle to compete in world markets. A carve-up on this scale could never have occurred if the companies were in private hands, a telling illustration of the sheer power of French industrial policy-making as well as the strictures imposed by the refusal of Mr François Mitterrand, the President, to countenance any change between the balance of state and private ownership in the public sector.

Power struggles between the two most ambitious barons in the French chemical industry have meanwhile coloured – critics say distorted – the industrial logic.

The result of the deal will change the face of a domestic chemicals industry dominated by the state sector. Government-owned or controlled companies produce 54 per cent of France's FFr317bn (£33bn) annual chemicals output, while most of the rest – another 40 per cent – comes from foreign-owned companies, according to Bulletin de l'Industrie Pétrolière.

The general shape of the new structure, broadly agreed by the Industry Ministry and the companies involved, but awaiting agreement on important details, looks brutally simple. Barring any last-minute changes, it will reduce the core of the state chemicals portfolio from five groups to three or four.

Orkem, which makes bulk chemicals, fertilisers, inks and adhesives, and is widely accepted as having put in the most remarkable profits revival seen in the state chemicals sector in recent years, would be disbanded and split between the chemicals subsidiaries of the two state-controlled oil groups, Elf-Aquitaine and the smaller Total-CFP. Elf would also get Entreprise Minière et Chimique (EMC), an agro-chemicals group.

Separately, state-controlled Rhône-Poulenc would get the Government's 40 per cent direct shareholding in Roussel-Uclaf, France's second largest pharmaceuticals company, the rest of which is owned by Hoechst of West Germany.

Apart from putting the Roussel-Uclaf stake in industrially relevant hands, this would give the state an opportunity to inject more capital into Rhône-Poulenc, in need of cash after the $1.3bn (£833m) takeovers of RTZ Chemicals and GAF-SSC of the US. The umpire in this spectacular game is Mr Roger Fauroux, the politically independent Industry Minister, whose simple aim is to create a powerful force in chemicals, right in the mainstream of the traditional French fondness for building industrial champions.

But the really hard talking is between Mr Serge Tchuruk, the tough chairman of Orkem who is about to take over from gentler management at the head of Total, and Mr Loïk Le Floch-Prigent, who recently became chairman of Elf. Before then, Mr Le Floch-Prigent was writing for Mr Fauroux the very report on which this attempt to beef up the industry is based.

This is not the first time the two chemicals chiefs have done business together, for Mr Tchuruk used to be number two at Rhône-Poulenc, under Mr Le Floch-Prigent, before taking over at Orkem.

Accordingly, some observers feel it would be hardly surprisingly if a hint of rivalry came into their negotiations.

Indeed, Mr Tchuruk was originally thought to have been hoping to carry off the whole of Orkem to Total, without having to carry out what is proving to be a messy and complicated division.

The logic of the split would be to hand over Orkem's petrochemicals and fertiliser divisions, which account for the slowest growing two thirds of its FFr31.5bn annual sales, to Elf. This would fit in neatly with the petrochemicals activities of Elf's main chemicals subsidiary, Atochem, as well as with the newly arrived EMC, which is France's largest supplier of potash, a raw material in making fertiliser.

The result would be to lift Elf's combined chemicals activities, of which Atochem is the biggest chunk, from 14th to somewhere near 10th in the world chemicals league, say analysts.

The remaining – and most attractive – third of the Orkem cake, including specialty chemicals, inks, paints and adhesives, recently strengthened by the acquisitions of Coates of the UK and US-owned Bostik, would considerably boost the importance of Total's specialty chemicals division. This is something it has long sought, even to the extent of considering a bid in 1986 for control of Rhône-Poulenc, as a way of adding a diversification to the cyclical oil business.

There are, however, a few wobbles in the pattern. For one thing, Atochem already makes paints and adhesives, which would now compete, perhaps needlessly, against similar Orkem products under Total's ownership.

For another thing, Orkem's petrochemicals and specialty chemicals businesses are intertwined in one division, Norsolor, and it is proving extremely complicated to find a practical way of separating them, admit officials. This appears to be the main detail standing in the way of a final accord.

To complicate matters further, Norsolor itself is only 80 per cent owned by Orkem, the rest belonging to British institutions and the Qatar Government.

All this is a sad irony for Orkem's middle management, which feels justly proud of having turned the group round under Mr Tchuruk's strong hand, from FFr2.5bn of losses in 1987 to FFr3bn of profits last year. Thanks to a painful restructuring and astute diversifications into specialty products, Orkem is now barely recognisable from the ragbag of unwanted bulk chemicals businesses left over from the last reorganisation of the public sector chemicals industry in 1983.

Orkem's managers will not block the deal, but they do not have much enthusiasm for it. As one executive told a French business magazine: "Several years ago, people here would have welcomed an entry into Elf Aquitaine. Today, they prefer to fight under their own colours."

Main companies in the restructuring

Orkem
1988 sales: FFr21.8bn of which: FFr12.6bn Petrochemicals and chemicals, FFr5.6bn Fertilisers, FFr1.05bn Paints, FFr1.35bn others

Entreprise Minière et Chimique
1988 sales: FFr18bn of which: FFr4.35bn Potash, mining and marketing, FFr5.6 Chemicals, FFr5.2bn Animal feed, FFr0.6bn Industrial services

Elf-Aquitaine
1988 chemicals-related sales: FFr46bn (out of group total of FFr126bn) of which: FFr30bn ATOCHEM, petrochemicals, plastics and specialty chemicals, FFr14.6bn SANOFI, human health, biotechnology and beauty products, FFr3.5bn TEXAS GULF (US), fertilisers, FFr2.3bn MIST (US), fine chemicals

Total-CFP
1988 chemicals-related sales FFr5.6bn (out of group turnover of FFr83.3bn of which: FFr0.6bn TOTAL CHIMIE, aromatics & petrochemical marketing, FFr4.99bn HUTCHINSON, industrial rubber

Rhône-Poulenc
1988 sales: FFr65.5bn of which: FFr28.7bn Chemicals, FFr9.6bn Fibres, FFr15.5bn Health, FFr9.6bn Agrochemicals, FFr1.5bn Others

Nestlé links with General Mills to take on Kellogg cereals

By William Dullforce in Geneva

NESTLE, the Swiss foods group, and General Mills of the US are linking to attack the world market for breakfast cereals, dominated by the American group Kellogg.

Initially the two new challengers will concentrate on Europe. There the partners expect the ready-to-eat cereal market, at present worth $1.6bn in yearly sales, to quadruple by the year 2000 to around $6.5bn, the current size of the US market.

Nestlé, with worldwide sales approaching SFr50bn ($31bn) is much the bigger of the partners, but in breakfast cereals its sales are probably less than SFr100m. In contrast, more than 90 per cent of General Mills' projected 1989 sales – $6bn – are generated by food businesses and restaurants in North America.

Yesterday the two signed a joint letter of intent to create the 50-50 joint venture. Nestlé said the size of the investment had not yet been determined.

The companies said that, by combining General Mills' cereal expertise and technology with Nestlé's local marketing expertise and sales distribution, they would be able to become a competitive force more quickly and at lower cost.

The Swiss company's production facilities in Europe will be used initially, but Nestlé is not excluding the establishment of new factories.

The agreement is described as a "strategic alliance" and covers all markets with the exception of the US and Canada, where General Mills, with a 25 per cent share, is second to Kellogg.

Under a long-term mutual standstill agreement, neither party will seek control of the other. The Nestlé name will appear on all products, with General Mills or Nestlé brand names identifying individual items. General Mills' best known cereals product is Big G.

Bank Vontobel, Zurich, which follows food stocks closely, said it had been known that Nestlé wanted to expand in breakfast cereals.

Quaker Oats and Kellogg had been regarded as takeover candidates but the Nestlé management preferred friendly takeovers, and Quaker Oats was probably too expensive. The joint venture was "a very interesting alternative strategy." It would not be easy to break into a competitive European market, but Nestlé had financial resources and marketing skills to complement General Mills' product expertise, said the bank.

Transco Energy steps on the profits gas

Steven Butler on how deregulation restored the fortunes of the US pipeline group

Transco Energy, the US gas transmission company which handles one tenth of US gas supplies, is going to make a profit this year. "I guarantee it," says Mr George Slocum, the group's chief executive.

After three years of losses, and nearly a decade of wading through a regulatory swamp while fighting off the danger of bankruptcy, Mr Slocum is upbeat about the future of natural gas and the money his company can make buying and selling it and shipping it around the US for others.

Transco owns and operates the 10,000-mile Transcontinental Gas Pipe Line system, which runs from from Texas to New York, and recently expanded its network with the $571m purchase of Texas Gas, which gives it a 6,000-mile pipeline system from Louisiana to the Mid-West states.

US gas consumption is growing by 3 to 4 per cent a year, the US economy is expanding, houses and commercial premises are continuing to convert to gas, and gas as a boiler fuel is cheaper than oil, increasing its attractions as an industrial fuel while it has received the blessing of environmental activists.

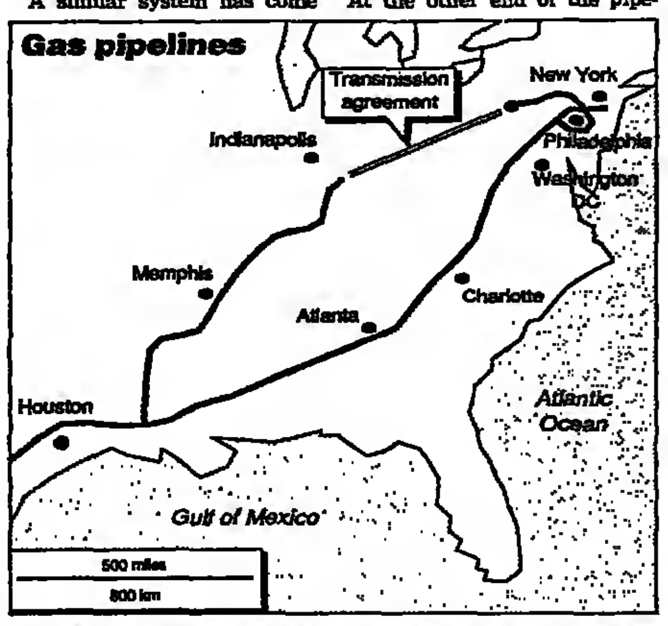
Yet the most important change in the landscape for Transco and other gas transmission companies is that the regulatory chaos caused by a series of changes introduced by the US Federal Energy Regulatory Commission (Ferc) over the past decade has been put behind.

"Here is one company that is lucky to be alive to tell about it," says Mr Slocum.

In the past decade the US has moved to institute an open access carrier system, which allows local distribution companies to contract for gas directly with producers and pay the interstate pipelines a fee for transmission.

It is an experience that should be instructive to Europe, even though the market structures are different, because the European Commission has drafted regulations which could lead to an open access system on the Continent.

A similar system has come into effect in Britain, where competition against British Gas is on the horizon in the industrial market.



As Mr Slocum tells it, when the US Government decided it wanted a freer gas market, it moved to deregulate the side that had the most votes – the local distribution companies.

These are the local state monopolies that take their gas from delivery points on the large diameter pipelines that traverse the Continent.

Prior to this change, pipelines bought gas from producers on a long-term take-or-pay basis. This meant that producers would be paid whether or not the pipeline took the gas, thus providing security for the large capital development costs associated with gas production.

At the other end of the pipeline, the pipeline companies had a captive, although regulated, market, so they could be sure of finding a sales outlet for the gas. In effect, this system spread the risks involved in the gas industry among different sectors of the market, although it obviously stifled competition within the gas industry. When the local distribution companies were deregulated, and allowed to purchase gas directly from producers at a cheaper price, the pipeline companies were thrown into crisis because they lost their secure market but were none the less required to pay billions of dollars to producers.

They were stuck with purchase obligations for high-price gas that were signed in the late 1970s when gas prices soared in response to a shortage, but then saw the ground slip from beneath them when spot market prices collapsed amid a growing surplus of supply – the so-called gas bubble which most industry observers believe is deflating rapidly.

The result was a field day for lawyers as pipelines tried to wriggle out of their contracts with producers, while the producers tried, often in vain, to recapture their capital expenses by having the contracts enforced.

Enter the Ferc, which set up rules governing negotiated settlements between pipelines and the producers, and then set up mechanisms through which the pipelines could recover some of their costs from their customers once they declared themselves an open-access carrier, willing to transport gas for all and sundry.

The original idea of a shared risk was thus translated into a shared loss . . . millions of dollars in legal fees later and some tarnish on the idea of inviolability of contracts.

Yet now, after a decade of turmoil during which the business was stood on its head, Mr Slocum believes Transco is in position to see its profits grow again in a new regulatory environment that has largely settled down.

From its original position as a wholesaler of gas carried on its pipelines, Transco is now transporting mainly gas for other merchants, although it hopes to raise its own sales volumes so that they will account for 50 per cent of total gas transmissions.

It is now trying to put in place long-term sales and purchase contracts which involve not take-or-pay clauses, but right to purchase and stand-by fees on the part of both the local distribution companies and the pipeline companies (called gas inventory charges) which provide a modicum of security for the producer. The contracts also have periodic price reopeners and are thus market responsive.

Mr Slocum believes these structures of contracts are sufficient to encourage the investments needed for large-scale gas production projects to go ahead.

To take advantage of the emerging environment, last year Transco bought Texas Gas, whose pipeline brought Transco for the first time to markets in the Mid-West while improving its ability to supply the north-east states through connecting pipelines, thus increasing utilisation and efficiency of all pipelines involved.

The Texas Gas pipeline also traverses gas producing areas of Louisiana and Arkansas and an agreement reached recently with Arkla, the pipeline company, has expanded its supply region as far as Oklahoma and Nebraska.

Transco now has a capital spending programme of $1bn in the next three years aimed at expanding its gathering network and increasing the capacity of its transmission system.

This is all aimed at keeping up with what Mr Slocum sees as a growing market for gas in the US. The competitive edge of a pipeline company, Mr Slocum says, is insured by securing an expanding supply and being able to manage the pipeline system efficiently in order to be able to deliver at a competitive price.

George Slocum: guarantees profits this year

There are none the less some concerns on the horizon, the biggest of which is a potential gas supply problem that could be caused by a prolonged weakness in oil prices. Gas prices, Mr Slocum says, would have to rise above $3 per thousand cubic feet from current levels below $2 in order to provide the sort of incentive to supply what he believes will be the market by the late 1990s. And that depends oil prices going up enough to allow gas prices to rise without becoming uncompetitive against oil, although this result could also be accomplished should the Government intervene to encourage gas consumption because of its clean burning qualities.

Mr Slocum is enthusiastic about the prospects of competing in the US gas market under an open access system. But he does have a word of advice for Europe: "Whatever you do, I hope you don't go about it the way we did."

Fougerolle launches $590m manager buy-out

By William Dawkins in Paris

FOUGEROLLE, the French construction company, yesterday launched the country's second largest management buy-out, valued at FFr3.6bn ($590m), to block an unwelcome takeover approach from one of its own shareholders.

The deal, which is the largest French buy-out since last May's FFr7bn acquisition of Darty, the electrical retailer, comes only a day after Fougerolle, which is active in France, Spain and Italy, enlarged its European coverage by taking a 40 per cent stake in Delens, a Belgian construction company.

The buy-out was triggered by the failure of attempts by Compagnie Générale des Eaux, the leading French water and services group, to persuade Fougerolle to merge with its own construction subsidiary, Société Générale d'Entreprise (SGE).

The water group owns 33.2 per cent of Fougerolle's capital, the largest shareholder after Paribas, which has a 38.5 per cent stake. Both Paribas and Total, the French oil company, which own another 10.5 per cent, are backing the takeover, which would leave them with a small majority holding.

Mr Jean-François Roverato, chairman of Fougerolle and the architect of its recovery, said a merger with SGE "would have generated more complications than profits." The buy-out is taking place under French laws as a RES, designed to encourage maximum ownership by Fougerolle's 18,000 staff.

The financing, [illegible] arranged by Paribas, [illegible] FFr600m equity component, of which Mr Roverato said FFr200m would come from Fougerolle's staff, with the help of a company loan scheme.

Fougerolle expects profits to rise from FFr200m net to FFr300m this year on turnover of FFr12bn.

Mannesman to acquire control of tanks maker

By Our Financial Staff

MANNESMANN, the West German engineering group which has a 5 per cent shareholding in TI Group of the UK, announced plans yesterday to buy a majority stake in Krauss-Maffei, the German armaments group best known for its range of tanks.

Mannesmann, which has been negotiating with Maffei for some months and which raised DM580m ($326m) via a rights isue in October, said contracts would be signed in the next few weeks provided that there were no objections.

The company did not give the price Mannesmann would pay for the Maffei stake or the exact amount of shares it planned to buy.

This week speculation over an imminent deal between Mannesmann and Maffei hardened when Maffei's biggest shareholder, the Bavarian state government with a 35 per cent shareholding, said it was ready to sell to Mannesmann.

The Bavarian state government also said that Deutsche Bank and Dresdner Bank, which each own 10 per cent of the armaments group, were also ready to sell their Maffei stakes. Changes in the ownership of Maffei became necessary following the Bonn Government's approval of the takeover of aerospace group Messerschmitt-Bölkow-Blohm (MBB) by Daimler Benz.

A condition of the Daimler takeover of MBB was that the aerospace company dispose of its 12.5 per cent shareholding in Maffei. The MBB stake in Maffei is to be acquired by Diehl, another German armaments company.

Krauss-Maffei is best known for its Leopard tank. It also but also has interests in locomotive manufacturing.

Bayer combines Italian activities

BAYER, the West German chemicals group, plans to invest L200bn ($152m) to consolidate its activities in Italy into a single Milan-based business complex, Reuter reports. It intends to spend the money to bring Bayer Italia, Agfa-Gevaert, Miles Italiana, Technicon Italiana and Bayropharm Italiana together in a 50,000 sq m complex acquired recently.

Stora buys 75% of Danish fine paper group for DKr510m

By John Burton in Stockholm

STORA, the Swedish paper, packaging and building materials group, is to buy the outstanding 75 per cent of De forenede Patirfadrikker (DfP), the Danish fine paper group, for DKr510m ($70m).

The deal is being transacted through Papyrus, Stora's fine paper unit. It will give Papyrus, which operates three plants in Sweden and one in the US, a production foothold in the EC, Stora said.

Papyrus is buying the DfP stake from Danisco, the Danish farmers' co-operative. It estimates that the acquisition will boost its turnover to SKr8bn ($1.25bn) next year, while increasing its workforce to 5,200 persons.

The DfP Group produces mainly coated fine papers at three plants in Denmark with an annual output of 150,000 tonnes. It has a turnover of around DKr2bn.

Papyrus explained that the acquisition was part of the consolidation in the industry in anticipation of the EC internal market.

The DfP acquisition includes two Danish paper merchants and affiliated merchants in Norway and the UK. This will improve Papyrus's distribution network in Europe, which is regarded as weak by analysts.

At the same time, Danisco is itself making a number of acquisitions. It is to pay FBD, the Danish co-operative wholesale/supermarket group, DKr265m for spirits producer Svendborg Fabrikker and wine importer Irma Vin. It will also buy FDB's frozen food producing unit Nyborg Lynfrost.

The takeover of Nyborg will add 25,000 tonnes a year of frozen food output to Danisco's current output of 10,000 tonnes, Danisco said.

WE KNOW OF 11,218 PEOPLE IN THE UK WHO HAVE BEEN INFECTED WITH THE VIRUS THAT LEADS TO AIDS.

IT'S THE NUMBER WE DON'T KNOW OF THAT'S EVEN MORE WORRYING.

At the moment it's impossible to say how many people have HIV, the virus that leads to AIDS.

This is because a person can have HIV for many years without any symptoms of the infection.

So if they don't know they have it, how can anyone else?

Each year more people unknowingly become infected.

Which is why the number of people with HIV and AIDS continues to grow.

Not just here but throughout the world.

World AIDS Day on December 1st reminds us of the scale of the problem.

If we all act now we can help to slow down the spread of HIV.

FOR MORE INFORMATION OR CONFIDENTIAL ADVICE ABOUT AIDS, FREEPHONE THE 24-HOUR NATIONAL AIDS HELPLINE ON 0800 567 123.

Source: CDSC UK reported cases October 1989.

INTERNATIONAL COMPANIES AND FINANCE

US hospital group loses $52m due to shake-up

By Roderick Oram in New York

AMERICAN Medical International, the troubled US hospitals group, has suffered a large fiscal fourth-quarter loss.

It reflects the costs of a restructuring this autumn by a new group of controlling shareholders.

The net loss for the three months ended August 31 was $52.4m, or 75 cents a share, against a net profit of $18.3m, or 23 cents, a year earlier. Revenues were $705.2m, down from $791.8m because of the disposal of some operations.

The latest figure included a pre-tax charge of $100.2m for writedowns and additions to reserves during its autumn restructuring, plus a tax credit of $31.6m.

In the recapitalisation, a group of investors called IMA Holdings paid $26.50 cash per share for 86 per cent of the company's stock. The remainder is still publicly traded.

For the full financial year AMI turned in a net loss of $13.8m, or 18 cents a share against a net profit of $115.3m, or $1.41, a year earlier. Revenues were $2.75bn, against $3.11bn.

The latest full year figure included charges of $128.5m *and pre-tax operating losses of $22.8m* from operations earmarked for disposal.

The new management which took over on November 9 said it hoped to raise some $1bn over the next 12 to 18 months from asset disposals. It intends to sell all its overseas operations including, as previously announced, its 65 per cent stake in AMI Healthcare Group in the UK. So far it has signed contracts for $200m of asset sales, raising more than it had forecast.

Esops become a fabled defence

Anatole Kaletsky on moves to fight activities of US corporate raiders

When Chevron announced this week it would put 5 per cent of its shares in an employee stock ownership plan (Esop) it disappointed arbitrageurs hoping for a takeover or major financial restructuring.

However, the fourth largest US oil company was following a long, and increasingly respectable line of US corporate giants turning to Esops not only to motivate employees, but also to discourage corporate raiders and Wall Street arbitrageurs. This line is likely to grow even longer, as a result of a little-noticed feature of the Budget Bill passed by Congress last week.

Contrary to widespread expectations, the politicians did not act against the so-called "defensive Esops" which had become all the rage earlier this year and were beginning to cost the US Treasury billions of dollars in tax concessions.

As a result, the bandwagon of employee-ownership will continue to roll, with corporate raiders and Wall Street takeover lawyers providing the unlikely motive force.

Esops have been around since 1957, when they were invented by Mr Louis Kelso, a corporate lawyer from California with a crusading zeal for workers' capitalism. The idea of Esops was to allow employees to become substantial shareholders in the companies *they worked for*, by *allowing* the companies to buy shares on their behalf.

The company would normally borrow money through a special trust to do this, then repay the borrowings as part of the workers' remuneration and gradually release the shares to workers as the Esop loan was paid off.

To promote this productivity-enhancing movement Mr Kelso persuaded his many friends in Congress to provide the Esops with two crucial tax concessions. The dividends paid by companies to shares held by Esops were made tax deductible and banks which made Esop loans could exclude from their taxable income half the interest received.

In spite of these incentives, there was a marked lack of enthusiasm for Esops in the US business community – until about two years ago.

That was when Wall Street lawyers realised their possible use in the battle for corporate controls.

Once companies learned to deploy Esops against takeover threats, idealism about employee *ownership* and workers' capitalism spread like wildfire through corporate America.

Once companies learned to deploy Esops against takeover threats, idealism about employee ownership and workers' capitalism spread like wildfire through corporate America

Within the first nine months of this year about 80 of the leading Fortune 500 companies created Esops, worth more than $15bn in all. This was far more money than had been put into Esops during the previous 30 years *of the concept's existence*.

The essence of this new application was simple. In an age of corporate raiders, a company which got a large chunk of its equity into the hands of *employees could rest more soundly*.

However, in the past 12 months a new and far more powerful twist has been added to this obvious consideration. Because of new takeover laws passed by various states, especially Delaware, where most large US companies are incorporated, a company which set up an Esop could make itself virtually takeover-proof.

In Delaware, a hostile bidder must win the support of at least 85 per cent of the "independent" shareholders of a company before a business merger can be completed.

In January this year the courts confirmed what corporate raiders had been dreading – that *the employee shareholders* in an Esop are "independent" of management for the purposes of this statute.

The courts found this to be true even though most of the stock in a newly-formed Esop has not yet been allocated to individual employees and is therefore still controlled by the Esop's trustees. The reasoning behind this finding was that trustees normally hold a poll on any major issue of corporate governance. They then vote the shares they control in proportion to the votes cast by the Esop members. If most employees side with management against outside corporate raiders, then the Esops, as shareholders, are justified in *doing so*, the courts decided.

While this conclusion was unexceptionable, and even widely welcomed in Congress, the response to it among US corporations was not. With corporate giants like Procter & Gamble, Xerox, ITT, Delta Airlines, Lockheed and J.C.Penney suddenly moving to create or expand Esops, the cost of Esop tax breaks would rise to $1.6bn annually over the next five years, Congressional tax advisers estimated in June.

That was before the $6bn takeover proposal for UAL, the parent company of United Airlines, by a group led by the company's management, its pilots' union and British Airways. UAL plans to borrow through the Esop every dollar required for the $6.5bn acquisition. The tax benefits on this deal alone would amount to well over $100m annually.

Not surprisingly, Congress started to take a sceptical interest in this subject. As Washington tried to weed out *the plans* set up for essentially financial reasons from those with long-term industrial relations motives, a major tightening of the Esop regulations seemed to be on the cards.

Congressional tax-writers, incensed by the speculative fever on Wall Street in general and the UAL deal in particular, warned they would legislate against "financially-motivated" Esops and possibly even make the withdrawal of tax benefits restrospective to *catch* UAL.

It took only a moment's examination, however, to see the UAL deal would not have been prevented by the criterion which many congressman suggested to bring Esops back to the original idea of worker participation – insistence of at *least 30 per cent of* the company's stock being placed in the employees' hands.

A little more investigation revealed that abolishing financial Esops *would* make the companies in their constituencies even more vulnerable to the hostile takeovers which they so fulsomely denounced.

As is so frequently the case on Capitol Hill, the upshot of all this confusion was policy paralysis. As Congress rushed to pass a budget before Thanksgiving, the Esop question was dropped.

Chevron immediately put into effect its Esop plans, which would take the total stake held by its employees in savings and profit-sharing plans just past the magic 15 per cent mark. The chances are many other embattled companies will soon follow.

Mérieux claims Connaught win

By Robert Gibbens in Montreal

INSTITUT MERIEUX, the Rhône-Poulenc pharmaceuticals subsidiary, has almost certainly won the battle for Connaught BioSciences, the Canadian vaccine producer.

Mérieux says it has 56 per cent of Connaught under its C$37-a-share (US$31.80) bid that expired on Wednesday night. The bid is to be extended to December 11.

The Canadian Government has extended its deadline to December 13 for completion of its review of both the Mérieux bid and the opposing offer from Ciba-Geigy of Switzerland, which is based on a C$30-a-share offer. Both companies have assured a continuing role for Connaught's Canadian research.

Observers believe Mérieux's latest concessions will lead to approval by Ottawa, though the Government could accept both offers and leave Connaught shareholders to decide for themselves.

Because Connaught distributes in the US, Mérieux also needs Federal Trade Commission approval, which is expected shortly.

● A new Canadian-owned upstream energy group is being formed through the takeover, by Trical Resources of Calgary, of the US-owned Voyager Energy for C$247m in cash and debt.

Voyager is owned by Freeport-McMoRan, a New Orleans resource group which this week unveiled a restructuring programme. Voyager has daily oil output of 2,800 barrels and 39m cu ft of gas in Western Canada. Trical is a small oil producer and its main asset is C$65m cash.

It will pay McMoran C$157m cash, plus $90m in interest-free notes. The US company will retire Voyager's debt.

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LEGAL NOTICES

INTERNATIONAL COMPANIES AND FINANCE

Door opens on Indian investment

Gita Piramal finds a growing awareness of Asian capital markets

Last week's launch of a new equity fund that offers investors a mix of Indian and Pacific Rim stocks, highlights the growing international awareness of Indian capital markets.

JF India Pacific Trust, an open-ended US dollar-denominated fund, is a partnership between Jardine Fleming, the Hong Kong-based merchant bankers, and Mr S.K. Modi, a member of the Modi group, India's 10th biggest business house.

The trust will invest around 20 per cent of its funds in the Indian stock market, and the balance in Pacific Rim countries.

Investment funds are one of the few approved and convenient routes of investing in the Indian economy, and at least three of the five existing funds are performing quite well.

Two of these are closed-ended funds; the India Fund and the India Growth Fund, both launched by the Unit Trust of India (UTI) in association with Merrill Lynch capital markets. While closed-end funds are generally quoted at discount to the net asset value, these two funds are both trading well above par.

Meanwhile, two more India funds are in the pipeline, a joint operation between Shearson Lehman Hutton and Mr Ashok Birla, a Bombay-based businessman. Both are planned as open-ended Jersey-based funds, aimed at the retail market, particularly investors of Indian origin settled in the Middle East.

The major snag to this form of investment is of a fiscal nature. A 45 per cent tax on long-term capital gains, when combined with a depreciating rupee, can virtually negate the gains in asset value.

Mr D Basu, managing director of SBI capital markets, advisers to the India Magnum Fund, argues that need not deter certain types of investor, though.

"Our investors, who are mainly institutional, are looking for long-term growth rather than income so the high tax rate is not immediately relevant," he maintains.

"Redemption (of the India Magnum Fund) is after five years and I fully expect that all 60 of our investors will continue supporting the fund even after that. In the meanwhile, the tax rates may change," he adds.

Several Asian countries – South Korea, Malaysia, Pakistan and Taiwan for example – do not levy a long-term capital gains tax and Indian bankers heve begun lobbying the Government to bring Indian tax in line with other countries.

If rates do not come down, foreign investors will channel their funds into other Asian countries, they warn.

Funds sponsored by Indian financial institutions such as the UTI and the State Bank of India enjoy a few tax concessions, but most of these are not available to private entrepreneurs such as Mr Birla and Mr Modi.

The private funds face other restrictions too. In certain cases, such as the JF India Pacific Trust, Indian foreign exchange regulations limit participation to non-residents.

As the concept of offshore mutual funds gains acceptance, though, the funds' proponents are hopeful that prevailing restrictions may ease. As Mr M.J. Pherwani, chairman of UTI says: "When we launched the India Fund in September 1986, we opened a window. But it is a door now."

Domestic growth boosts Mitsubishi Electric 65%

By Robert Thomson in Tokyo

MITSUBISHI ELECTRIC, the Japanese electric machinery maker, reported a 65 per cent increase in consolidated net profit to Y35.7bn ($250.5m) for the half-year to end-September as domestic economic growth fuelled profits.

Sales for the period rose 15 per cent to Y1,414bn, with sales of industrial machinery up 26 per cent, data communications systems up 22 per cent, and heavy electric machinery up 14 per cent. Foreign sales rose 19 per cent, comprising 23 per cent of total sales.

For the full year to end-March, the company expects consolidated net profit of Y73bn, np 37 per cent, and sales of Y2,920bn, an increase of 7.4 per cent.

Hitachi, Japan's largest comprehensive electric machinery maker, reported a consolidated net profit for the first half of Y101.2bn, an increase of 19 per cent, on sales of Y3,485.8bn, up 12 per cent. For the full year, the company expects net sales of Y7,000bn, up from Y6,401bn last year, and net profit of Y210bn, compared to last year's Y185bn.

The company reported sales of power systems up 18 per cent, industrial machinery up 19 per cent, and communication systems up 15 per cent. Consumer products sales fell 4 per cent.

NZ Government attacked for failure to save DFC

SIR RON Brierley, chairman of Brierley Investments (BIL),has attacked the Government over its handling of the collapse of investment bank DFC New Zealand, according to Reuters.

At BIL's annual meeting, Sir Ron hit out at the Government for refusing to bail out DFC, and criticised its decision to put the bank under statutory management.

Mr David Caygill, Finance Minister, has consistently refused to bail out DFC despite heavy pressure from Japanese creditors.

Sir Ron said that not intervening "is likely to cost far more in real economic terms in the long run than any fiscal loss to the Government facing up to a measure of responsibility and reassurance."

A New Zealand samurai bond issue fell through last month after Japanese banks refused to support it and several New Zealand companies have reported problems raising foreign loans following the DFC collapse. Tokyo market sources estimate Japanese banks lent heavily to DFC.

Western Mining confident

WESTERN MINING Corp Holdings (WMC), the Australian mining house, expects higher profits for the first half of 1989/90, Sir Arvi Parbo, the chairman, told the annual meeting, according to Reuter.

Demand and prices for WMC's products are expected to be reasonably satisfactory this financial year but somewhat lower than last year, except for alumina, he said.

Net profit amounted to A$203.87m (US$159.15m) for last year's first half, to end December.

WMC, the world's third largest nickel producer, aims to increase nickel output this year, allowing WMC's Western Australian smelter and refinery to operate at full capacity.

WMC also expects gold output to come close to 1m oz this year.

Sir Arvi said that WMC's capital spending on expansion this year would exceed A$400m.

Boone fights for say in Koito

MR T. BOONE Pickens, the corporate raider, said his company, Boone, will fight to place four directors on the board of Koito Manufacturing, a Japanese automotive lighting company, Reuter reports.

Mr Pickens said Boone is Koito's largest shareholder, but requests to nominate directors were rejected at every step.

Toyota, which has three seats on the board, has threatened to curtail business relations with Koito if Pickens-nominated directors were accepted.

INTERNATIONAL CAPITAL MARKETS

Murder of Herrhausen casts shadow over activity

By Rachel Johnson in London and Karen Zagor in New York

THE DEATH of Mr Alfred Herrhausen, chief executive of Deutsche Bank, cast a blight yesterday over the German government bond market, as traders refrained from dealing in the confusion.

Futures trading became more volatile, and cash slower, at the news which overshadowed the day.

But trading picked up after its lows, and prices advanced in a smooth progression. "After low fixings, prices went better and better," a trader at Salomon's said. "There were long-term buyers underpinning the market."

The 7 per cent Bundesobligationen were fixed at 96.75 to yield 7.83 per cent, then moved up around a ¼ point to yield less than 7.80 per cent, after stimulating some buying interest when it reached low levels in a "bear squeeze."

The futures contract on Liffe

GOVERNMENT BONDS

had a busier day, swinging between 90.66 after the morning's news, and 90.74, as the contract consolidated during trading. The day before, it closed at 90.58.

The Bundesbank's announcement of a repurchase pact – details of which are to be given today – was fully expected by the market.

■ US TREASURY bonds moved marginally higher yesterday morning as the debt market remained in a holding pattern ahead of today's release of the US purchasing managers' report.

At mid-session, the Treasury's benchmark 30-year bond was quoted ⅛ higher at 102 11/32, yielding 7.90 per cent.

At the short end of the yield curve, two-year issues were up about 1/32 to yield 7.75 per cent. One reason given for the debt market's firmer tone yesterday morning was a report of large Japanese purchases of five-year government notes on Wednesday.

The Federal Reserve arranged *$1.5bn customer* repurchase agreements when Fed funds were trading at 8⅝. The target rate for the funds is still thought to be 8½ per cent, although the Fed is expected to ease further by the end of the year.

The dollar moved lower at mid-session on rumours that Mr Alan Greenspan, chairman of the Federal Reserve, was planning to resign.

Although the rumours were denied, the dollar slipped to DM1.7790 from DM1.7883 earlier in the morning.

The Chicago purchasing managers' survey, which was released yesterday, showed a decline to 49.1 per cent from 51.7 per cent.

According to market analysts this suggests that the national survey due for release this morning will be little changed from 47.6 per cent.

There were no surprises from the income and consumption figures released yesterday morning. October's personal income rose 0.7 per cent, excluding special factors.

Personal consumption expenditures fell 0.2 per cent while the PCE deflator, a measure of inflation, rose 0.7 per cent in October after rising 0.2 per cent in September.

■ UK government bonds fell ¼ point yesterday amid reports that "someone in swaps was selling gilts" and driving down the price.

Also, the placing of £80m of mortgage-backed securities by Brixton Estates flummoxed the market as traders expected investors to switch out of gilts to buy the new paper.

However, this did not appear to happen to any great extent and the economic data of the day, the bank deposit M0 figure, did very little to stir the market.

The Benchmark Treasury 9 per cent due 2008 fell ¼ to yield 9.88 per cent.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	103-14	-1/32	12.00	11.72	11.46
	9.750	1/98	98-28	+0/32	10.60	10.75	10.60
	9.000	10/08	91-31	-1/32	9.88	9.77	9.67
US TREASURY *	8.000	8/99	108-04	+7/32	7.90	7.88	7.85
	8.125	8/19	102-17	+12/32	7.90	7.88	7.85
JAPAN No 111	4.800	6/96	94.9283	+0.112	5.47	5.55	5.43
No 2	5.700	3/07	102.1358	+0.091	5.46	5.55	5.31
GERMANY	6.750	8/99	98.0000	+0.450	7.04	7.20	7.11
FRANCE BTAN	8.000	7/94	93.9908	+0.210	9.65	9.59	9.42
OAT	8.125	6/99	93.8300	+0.410	9.11	9.07	8.93
CANADA *	9.500	10/99	98.6500	+0.275	9.73	9.59	9.47
NETHERLANDS	7.250	7/99	98.4700	+0.240	7.78	7.77	7.51
AUSTRALIA	12.000	7/99	94.1205	-0.024	13.09	13.23	13.55

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Lloyds Bank to pull out of Egypt

By Tony Walker in Cairo

LLOYDS BANK of the UK is transferring its business in Egypt to the Commercial International Bank and closing its branch after 18 years in operation. A Lloyds official said yesterday that the decision to divest was taken in line with the bank's "policy of divesting itself of its non-core activities."

The transfer agreement was signed by Mr Angus Erskine, a senior Lloyds executive on behalf of the general manager, and Mr Ahmed Ismail, chairman of CIB. Lloyds plans to transfer its accounts over several months, with the bulk of the business being handed over on March 1. Mr Erskine said that Lloyds "would of course provide indemnities for any non-performing loans."

The UK bank has, for several years, been scaling down its activities in Egypt and tightening restrictions on credit in the face of a difficult local business environment.

CIB, which was formally Chase National Bank of Egypt until Chase Manhattan pulled out of a joint venture in 1987, is regarded as one of Egypt's more successful local institutions. It is owned by the National Bank of Egypt, the country's largest public sector commercial bank.

Lloyds will not accept new business from January 1. It plans to apply formally for closure on July 1, although this is flexible. Mr Erskine said that the bank was planning a phased transfer of business to CIB to enable clients to get used to the idea.

He said Lloyds was anxious to "ease the passage" from one bank to another. Lloyds decided not to maintain a representative office in Cairo, but it plans to preserve a close correspondent relations with CIB.

Schroders discloses shortfall

By Rachel Johnson in London

Schroders, the UK merchant bank, yesterday followed the unusual example of Baring Brothers when it disclosed that only three-quarters of a domestic debenture issue had been taken up on launch day.

Baring Brothers brought the disclosure debate to a head in September when it announced that it had placed only 55 per cent of its domestic debenture issue for Allied Lyons with investors.

Barings said at the time that it was making its announcement in order to avoid violating Section 47 of the Financial Services Act.

This section prevents firms from making misleading statements, or committing acts, which are designed to create a misleading impression of a security.

In similar vein, Schroders took legal advice before announcing that £21.8m of a £80m issue for Brixton estates, the property development company, had not attracted the buying interest of institutional investors yesterday.

If Schroders had not disclosed that the remaining quarter of the issue had been offered to market makers, at a price likely to be below that offered to institutional investors, it could have been open to accusations of misleading the market under Section 47.

Schroders yesterday said that although there were "differing opinions" about the need to disclose to the market, it had decided to emulate the example set by Barings in the autumn.

"Legal advice was that we should make a statement in this instance," a spokesman said.

Schroders also pointed out that the chances of an entirely successful placing of a domestic debenture issue at the present time were slim.

An issue had the shrinking government bond market, the approaching year end, and prevailing worries about inflation to contend with.

Consequently, Schroders had expected some remainder of the issue - "as virtually all debentures are these days" - to have been placed over a period of days.

The Brixton Estate debentures have a 10⅝ coupon and are due in 2012. The company's financing package comprises £89.5m in existing swap contracts at an average rate of 11 per cent, together with short and long-term borrowing facilities totalling more than £140m.

The issue is partly paid, with £30 per £100 payable in December, the balance in 1990.

Mr Harry Axton, company chairman, said the capital raised would fund refinancing of variable rate borrowings, as well as property investment and development.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Alberta 9¼ 95	600	103⅞	104¼	-0⅛	-0¼	8.48
Austria 9⅛ 93	140	103⅛	103½	0	-0¼	8.43
B.F.C.E. 8¾ 94	175	99¾	100¼	+0¼	+0¼	8.39
B.F.C.E. 9¼ 95	150	103⅛	103⅝	0	-0¼	8.51
Brit. Tel. Fin. 9⅜ 98	250	103¾	104⅛	0	-0⅜	8.71
Canada 9 96	1000	103½	104¼	0	-0⅛	8.19
C.C.C.E 9¼ 95	300	103⅛	103⅝	+0⅛	0	8.41
C.N.C.A 9⅝ 93	150	†102	102½	-0⅛	-0½	8.65
Credit National 8¼ 93	200	†99½	100	+0⅛	-0⅛	8.31
Credit National 7¼ 92	100	97⅛	98⅛	-0⅛	-0¼	8.35
Credit National 9½ 92	160	†102¼	102¾	0	-0⅛	8.53
Dai-Ichi Kan 9⅝ 92	150	102⅜	102¾	+0⅛	-0⅛	8.56
Denmark 8¼ 94	150	†98¼	98¾	0	-0¼	8.60
E.E.C. 7 91	100	97⅜	97⅞	0	0	8.33
E.E.C. 10 93	140	†104½	104⅞	+0⅛	-0⅛	8.32
E.I.B. 8½ 99	150	99½	99¾	0	-0¼	8.54
Eurofima 10¼ 93	100	†104½	104¾	0	-0⅛	8.43
Elec. De France 9 98	200	102¾	103¼	0	0	8.49
Elec. De France 9¾ 99	200	†105¼	105½	0	-0¼	8.62
Finland 9 96	250	102⅛	102⅝	-0⅛	-0¼	8.47
Finn.Exp.Cd. 8½ 92	200	100	100⅜	0	-0⅛	8.40
Finn. Exp. Cd. 9⅜ 95	200	103½	104	0	0	8.53
Ford Motor Credit 8 91	250	†99	99½	0	0	8.57
Gen.Elec.Cap.Corp. 9 93	500	†101⅝	102⅛	0	-0⅛	8.42
Gen.Elec.Cap.Crp.10 1/2 91	300	102⅛	102⅝	0	-0½	8.42
G.M.A.C. 9 96	300	100½	101	0	-0¼	8.83
Gen.Mtrs.Corp. 9¼ 92	200	101¼	101⅝	0	-0¼	8.48
IBM Credit Corp. 8⅝ 92	400	100⅜	100⅝	0	-0½	8.47
IBM Credit Corp. 8¾ 91	250	100⅝	101	0	-0¼	8.49
IBM Credit Corp. 9 92	250	101⅛	101⅝	0	-0¼	8.25
IBM Credit Corp. 9½ 92	250	101⅞	102⅛	-0⅛	-0⅛	8.50
Italy 8½ 94	1500	100⅛	100⅜	+0⅛	0	8.36
Italy 9¼ 95	1000	104	104⅛	-0⅛	-0⅜	8.58
Italy 9⅜ 99	1000	106	106⅜	+0⅛	-0⅜	8.62
Itoh C. W/W 4⅜ 94	1000	†111	112	+0⅜	+0½	1.96
Japan Dev. Bank 10 96	200	107⅛	107⅝	0	-0⅜	8.48
KFW Intl. Fin. 9 94	300	102	102⅜	0	-0⅛	8.43
L.T.C.B. of Japan 9¼ 92	200	101⅛	101⅝	0	-0¼	8.59
Nippon Tel.&Tel. 9⅞ 98	250	104¼	104⅝	0	-0⅜	8.66
Norway 8¾ 93	500	101⅛	101¼	+0⅛	-0⅛	8.18
Portugal 8¾ 91	300	†99	99½	0	+0⅛	8.81
Sumitomo Corp. W/W 4 93	1500	†125	126	+1	+6	-2.70
Sweden 8¾ 96	200	101⅜	101⅞	+0⅛	-0¼	8.39
Sweden 8½ 92	200	†99⅛	99⅝	0	-0⅛	8.63
Toyota 9¾ 91	200	101⅝	102⅛	0	-0¼	8.45
Toyota Mtr.Corp. W/W 4 93	1500	106⅝	107⅜	-0⅛	+0⅜	1.89
Victorian Rep 11⅜ 92	150	105½	106⅜	0	-0⅛	8.82
World Bank 8¼ 99	1500	101	101⅛	+0⅛	-0⅝	8.40
World Bank 9 97	300	102¾	103¼	+0⅛	0	8.44
World Bank 9 93	300	102	102½	0	-0¼	8.22
World Bank 9¾ 98	300	104⅜	104⅞	+0¼	+0⅜	8.47
World Bank 9⅝ 99	500	106⅜	106⅞	0	0	8.54
World Bank 9¾ 96	300	†106	106⅜	0	0	8.46

Average price change... On day +0⅛ on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Asian Dev. BK. 6 94	200	91¼	91⅞	0	-0¼	8.11
Austria 6¾ 99	750	93⅜	94¼	0	-0⅜	7.68
Bk.Frgn.Econ.USSR 7 96	750	†93⅜	94⅜	+0⅛	-0⅛	8.21
Bank of Tokyo 5¾ 93	100	93½	94	+0⅛	-0¼	8.00
Commerzbank o/s. 5⅜ 93	300	93	93½	0	-0⅛	7.90
Credit Foncier 6⅜ 99	500	93¼	93⅜	+0⅛	-0¼	8.77
E.I.B. 6¼ 99	600	90¼	91	-0⅛	-0⅛	7.71
E.I.B. 6½ 99	300	94¼	94⅞	-0¼	+0¼	7.33
E.I.B. 6⅝ 96	600	95⅜	96¼	0	0	7.48
E.I.B. 6¾ 95	300	97	97¼	0	+0¼	7.46
Euro.Coal& Steel 5⅞ 97	175	89½	90¼	-0⅜	-0¼	7.78
Eurofima 6¼ 96	100	91¼	92⅜	+0⅛	+1	7.85
Elec De France 5¾ 97	300	90	90⅝	-0¼	+0⅛	7.48
Hydro-Quebec 6¾ 99	300	92¼	93½	-0⅜	-1	7.81
Japan Dev. Bk. 5⅜ 95	300	90⅜	91¼	0	+0½	7.51
Japan Finance 5¼ 97	100	88¼	89	-0⅛	-0¼	7.87
I.A.D.B. 7¼ 99	300	96⅞	97½	-0¼	-0½	7.66
Ireland 6½ 97	300	91½	92	+0⅛	-0⅜	8.01
Ireland 7¾ 99	500	95⅝	96⅝	-0⅛	-0⅜	7.85
Malaysia 6¾ 94	150	93¾	94½	-0¼	+2⅛	7.91
Nat. West BK. PLC 6 98	300	87½	88¼	-0½	-0⅝	8.03
N.H.L. Finance 6¼ 95	200	†90¼	90¾	-1	-2	8.34
Nippon Telg.&Tel. 6 95	400	92⅞	93⅜	+0¼	+0¼	6.56
Oesters. Kontbk. 5 93	300	92¼	92⅞	0	-0¼	7.75
Portugal 5⅜ 92	150	93¾	94⅜	0	-1¼	8.33
Portugal 6⅜ 95	150	94⅜	95⅜	-0⅜	-0½	7.74
Privatbanken 5¼ 93	150	92	92¼	0	0	8.04
Royal Insurance 5½ 92	300	93¾	94¼	0	-0⅜	8.38
Turkey 6½ 95	500	91¼	92¼	0	+0¼	8.44
Union Bk. Finland 5½ 94	200	90¼	90⅞	-0⅛	+0½	8.30
World Bank 6 98	300	88⅝	89¼	-0⅛	-0¼	7.78
World BK. 6¾ 97	600	91⅜	91⅞	+0¼	+0¼	8.52
World Bank 6¾ 99	600	93⅜	94	0	-0⅛	7.68

Average price change... On day 0 on week -0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
African Dev.Bk. 5 96	150	†90	91¼	-0⅛	-0⅜	6.79
Asfinag 5 03	100	†85	85¼	0	-3⅞	6.69
B.F.C.E. 4¾ 98	200	†87¼	87½	0	-0⅜	6.45
B.M.W.Fin.Neth. 5 13	150	†85½	87	+0⅛	+2	6.12
Britannia B/S. 4¼ 94	100	†86	86½	-0⅛	-1	7.97
CIR. Int. W/W 3 93	125	†88	88¾	-1⅜	-1	6.79
Credit Lyonnais 4¼ 00	100	†86	88	-0⅞	+0⅝	6.49
E.I.B 4⅜ 98	150	†87½	88	0	0	6.53
Finn. Exp. Cd. 8¾ 92	75	†99½	100	-0⅞	-0⅜	8.33
Fletcher Chall. 4⅞ 98	150	†83	84	-0¼	-0¼	7.61
I.A.D.B. 6 2004	200	†96¼	96½	+0⅜	0	6.38
Kobe City 4⅜ 98	150	†86½	87	-0⅛	-0⅜	6.70
Leeds Perm. B/S. 4⅛ 93	200	†89	89½	+0⅛	-0¼	7.86
Malaysia 5¼ 98	100	†84¼	84½	+0¼	-0⅜	7.80
Maxwell Comm.Crp. 5 95	150	†80¼	82	+2	+1⅞	9.52
Nat. Bk. Hungary 5½ 94	75	†87¼	87½	0	-1⅜	8.69
Nationwide Ang.B/S. 4 93	200	†88½	89	-1¼	+1⅝	7.74
Prov. Newfoundland 5 03	150	†84½	85½	+0⅛	+0⅜	6.68
Thailand 4⅞ 95	200	†86½	87	-0⅛	-1	7.60
World Bank 5 03	150	†86½	87	0	+0¼	6.49

Average price change... On day -0⅛ on week -0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Canada 6⅛ 91	80	99⅞	100¼	0	0	6.09
Canada 5⅝ 93	80	98¼	99	0	-0⅛	5.96
Eurofima 5 1995	20	95¼	96	+0⅜	+0⅛	5.97
E.I.B. 4⅞ 93	30	96¼	96⅜	0	-0⅜	6.08
Ireland 5⅛ 93	30	96⅜	96¼	0	0	6.24
Norway 5⅛ 95	50	97	97¼	+0¼	+0⅜	5.76
Sweden 4⅝ 93	50	95⅝	95⅞	0	0	6.01
World Bank 5⅜ 98	10	94⅜	95¼	+0⅛	+0¼	5.90
World Bank 7 94	20	103¾	104¼	0	-0⅛	5.96

Average price change... On day +0 on week +0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	week	Yield
Abbey Nat. 10¼ 94 C$	150	96⅜	96⅝	-0⅛	-1	11.25
Abbey Nat. 11⅛ 93 £	100	95¼	96¼	0	-0⅛	13.25
Aegon 7⅜ 92 FL	100	99¾	100¼	0	+0¼	7.90
Alg. Bk. Ned. 5⅜ 93 FL	200	93	93½	0	+0¼	8.15
Austria 7½ 94 ECU	100	93⅜	94	+0¼	0	9.34
Bk.Nova Scot.14⅜ 90 A$	75	–	–	–	–	–
Barclays Aus.13½ 91 A$	100	97⅛	97⅝	0	0	15.15
Belgium 8⅛ 94 Ecu	150	95¼	95¾	-0⅛	-0¼	9.44
BP Capital 9¼ 93 £	100	91½	92	0	-0¼	12.87
British Airways 10 98 £	100	88⅞	89⅜	-0⅛	-0⅛	12.14
Brit. Telecom 9½ 93 £	150	91¼	91¾	+0⅛	-0⅛	12.79
Comm.Bk.Aust. 12⅝ 93A$	100	†93¼	93⅜	0	-0⅛	15.12
Comm.Bk.Aus.13¾ 94 NZ$	60	†104	105	0	-0¼	12.39
Credit Foncier 9 96 Ecu	100	97⅞	98⅜	0	-0¼	9.37
CrLocalFrance 9¼ 92Ecu	100	99⅛	99⅝	0	-0¼	9.49
Deut.Bk.Aus. 13⅜ 93 A$	125	†96⅛	96⅝	+0⅛	+0⅛	14.63
Deutsche Bk.Fin. 15 94 A$	100	†102¼	103¼	+0⅜	+0⅛	13.97
E.I.B. 7 96 LFr	100	†95	96	0	-1½	7.94
E.I.B. 7⅜ 99 FL	150	94⅝	95⅛	0	+0⅜	7.89
E.I.B. 9 99 Ecu	150	98¼	98⅝	-0⅛	-0⅜	9.25
Eurofima 7⅜ 94 Ecu	100	94⅜	94⅞	+0¼	0	9.30
Export Dv.Crp.8¾ 92Ecu	100	98¼	98⅝	0	0	9.49
Fed.Bus.Dv.Bk. 9 94 Ecu	100	98	98⅜	-0⅛	-0½	9.50
Fed.Bus.Dv.Bk 9¾ 92 C$	75	†97¼	97⅜	0	0	10.88
Fed.Bus.Dv.Bk.10½ 93C$	50	†98¼	98⅜	-0⅛	-0⅛	10.98
Ferv. Stato 7¼ 93 Ecu	100	94⅜	94⅞	0	0	9.59
Ford Cr.Can.10¼ 93 C$	100	†98½	99	0	-0¼	11.20
Ford Cred.Can.10⅞ 96C$	125	99½	99½	0	-0⅝	11.02
Ford Cred.Fund.10¼ 93£	60	93⅝	94⅛	0	-0⅛	12.81
G.M.A.C.Canada 11 3/494C$	100	101⅜	102	+0⅛	-0⅜	11.18
Heineken 7⅛ 94 FL	150	101	101⅜	0	+0⅜	7.68
Hydro-Quebec 11 99 C$	400	101½	102	+0¼	-0⅛	10.68
Lloyds Bank 10¾ 98 £	150	89¾	90¼	-0⅛	-0⅛	12.21
Lloyds Bank 11⅜ 98 £	100	92⅝	92⅞	-0⅛	-0⅝	12.79
Montreal Tst.10¼ 93 C$	100	†98	98½	+0⅜	+0¼	11.32
Nat. Aus. Bk. 14¾ 94A$	100	†98¾	99¼	+0¼	+0¼	15.03
New Zealand 9½ 93 £	100	90¼	90⅝	0	-0⅛	13.07
O.E.K.B. 10¼ 99 C$	150	98	98⅜	+0⅛	-0¼	10.55
Privatbanken 7½ 94 LFr	500	–	–	–	–	–
Royal Bk.Scot.10⅜ 98 £	125	91¼	92¼	0	-0⅜	12.23
Saskatchewan 9⅞ 91 C$	150	†97⅜	97⅝	0	-0⅛	11.64
Saskatchewan 10¼ 93 C$	200	97⅜	98¼	-0⅛	-0⅞	10.97
State Bk.NSW. 13⅞ 93A$	100	†95¼	96⅜	0	+0¼	15.23
Sweden 7½ 93 Ecu	250	93¼	94⅛	+0⅛	-0¼	9.42
Sweden 15 94 A$	100	†101⅜	102¼	0	-0⅛	14.28
Toyota Mtr.Cr.11⅜ 92C$	150	100⅜	100⅞	0	-0⅜	11.00
World Bank 7⅜ 99 FL	300	94¼	95⅜	0	+0⅛	7.88
World Bank 13⅜ 92 A$	100	†99⅞	100⅜	0	+0¼	13.22
World Bank 14¼ 94 A$	75	100¼	101¼	+0⅛	+1⅛	13.89
Zentrspk. 13¼ 93 A$	75	†96¼	96⅝	+0¼	+0¼	14.50

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.73	99.78	24/01	15.21
Bank of Greece 99 US	0⅛	99.61	99.72	8/03	9¼
Belgium 91 US	0	100.13	100.23	21/02	8.81
Chelt. & Gloucester 94 £	.063	99.72	99.77	30/11	14.06
Credit Foncier 98 US	.063	99.95	100.03	20/04	8.31
Dresdner Finance 99 DM	.031	100.05	100.15	28/01	8.16
EEC 3 92 DM	0	100.06	100.16	22/02	6⅞
Halifax BS 94 £	.1	100.06	100.12	9/02	15.16
Invt. In Industry 94 £	0⅛	99.95	100.06	24/11	14.06
Leeds Perm. B/S. 94 £	0⅛	100.04	100.09	15/01	15.37
Milk Mkt.Brd. 5 93 £	0⅛	99.78	99.83	29/12	14.94
New Zealand 5 97 £	.07	100.03	100.13	22/11	14
Northern Rock 92 £	0½	99.81	99.86	20/01	5⅛
State Bk. Nsw. 98 US	.188	100.01	100.09	11/02	8.81
Woolwich Equit. BS. 93 £	0⅛	99.91	99.95	15/01	15.37
Woolwich 5 95 £	0⅛	99.89	99.94	21/11	14.06

Average price change... On day +0.02 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	8/87	62.	117⅞	118¾	-0⅛	0.70
Amer. Brands 7¼ 02 US	9/87	56.7	124⅝	125⅜	-0⅛	-1.12
CBS. Inc. 5 02 US	4/87	200.	101¼	102½	-0⅜	3.75
Dai-Ichi Kan. 3⅛ 04 US	7/89	3486.	99⅞	100⅛	0	3.43
Primerica 5½ 02 US	4/87	66.75	74	75	0	72.97
Eng.China Clay 6½ 03 £	9/88	4.6	86⅜	87⅜	+1⅛	3.51
Fujitsu 3 99 US	5/84	1106.	213⅝	214⅝	+1⅛	-1.03
Ladbroke5¾ 04 £	6/89	7.1	100⅞	101⅞	+0⅛	144.67
Land Secs. 6¾ 02 £	6/87	6.72	84⅛	85⅛	+0⅛	12.11
Minolta Camera 2¼ 94DM	2/86	1004.	106	107½	+1	10.64
RCA Inc 5¼ 02 US	9/87	49.62	105⅛	106	-0⅜	7.82
Mitsubishi Bk. 3¼ 04US	5/89	3266.	95⅛	96⅝	+0¼	3.42
Ned. Plc 5¾ 03 £	11/87	4.3	94⅜	95⅜	+0⅜	338.67
Nishi Nipp Bk.2⅞ 05 US	4/88	804.	141	142	+0⅜	2.49
Omnicom Inc. 61/2% 04 US	10/89	28.	102⅛	103⅛	-0⅛	19.73
Osaka Tatebi 2⅝ 02 US	4/87	1310.	278½	279½	+1	0.24
Racal Howis 4¾ 03 £	1/88	3.5	117⅛	118⅛	+0⅛	0.76
Redland 7¼ 02 £	†1/87	5.4	99⅛	100⅛	+0⅛	2.40
Saatchi&Stchi 6¾ 05 £	†10/89	4.41	90⅛	91⅛	-0⅛	35.95
Silicon Graphics 8 04 US	6/89	23.18	116⅛	117⅛	+0½	8.13
Sumitomo Bank 3⅛ 04 US	2/89	3897.	87⅜	88⅜	+0⅛	4.65
Texas Inst. 2¾ 02 US	9/87	82.97	77	78	-0⅛	78.41
Utd. N'papers 8 04 £	10/89	8.77	113⅞	114⅞	+0½	107.92
W.R. Grace 6¾ 02 US	9/87	42.12	91	92	0	29.00

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Traders hail Liffe computer system after modest start

By Deborah Hargreaves

TRADING was off to a modest start yesterday for the London International Financial Futures Exchange's computerised trading system which traded 1,518 contracts on its first evening of operation.

Traders hailed the start of a new era as Liffe's Automated Pit Trading started up to extend the exchange's trading day from 4.30pm until 6pm.

Traders are not entirely new to the idea of screen trading since most of the exchange's members have been involved in the development of the system over the past 18 months.

APT has been running a dummy market for the past three weeks where traders have had an opportunity to practice their skills on-screen. In order to qualify to trade on the system, brokers must take a three-hour training course which includes an exam.

Brokers say they enjoyed using the system which operates in a similar way to a video game and it will be cheaper to operate than to have brokers on the exchange floor for an extended period.

"My right hand now controls millions of pounds and I have to make sure it doesn't slip," joked Mr Iijima at the Bank of Tokyo. Traders say new safeguards have to be developed for screen trading, but overall were surprised at how easy APT was to operate.

The first contract to be listed on Liffe's APT system is the exchange's Euromark futures which first started up in April. The exchange is expecting to see volume of trades on APT build up gradually as brokers get used to using it.

● In a board meeting on Monday, London's International Commodities Clearing House will discuss the course of action it intends to take about major defaults on the New Zealand Futures Exchange.

The clearing house itself guarantees trades between futures trading members and could be liable to meet any payment defaulted on by one of its brokers. However, it holds no responsibility for default by customers of those brokers. The clearing house would make no comment on what its action would be, beyond saying it was keeping its options open.

The New Zealand Futures market was thrown into turmoil recently when Jordan Sandman Futures failed to meet a margin call on its NZ bond futures positions. Westpac Banking averted a similar crisis when it paid margin from its own account to cover a default by a London-based client.

The New Zealand authorities have referred the clients' defaults to police in London.

Canadian preferred shares rising from the dead

Barry Critchley reports on how corporate finance men have revived an ailing securities market

CANADA'S preferred share market is back from the dead. After an 18-month lull during which it seemed that the Government had successfully stamped on this form of security, the market is hitting back hard.

Preferred shares remain a hybrid: part debt, part equity. But Canada's corporate finance men have revamped their fiscal standing and in the process successfully revived the attractions of the securities for both issuer and lender.

As a result, more than C$4.2bn (US$3.62bn) has been raised in preferred shares in the first nine months of this year. That compares with C$658m in 1988. In the 12 months to September, 1989, almost a third of the $13.6bn raised by Canadian corporations was in preferred shares form.

To understand the popularity of preferred shares it is necessary to go back to the late 1970s, when interest developed in after-tax financing as a result of various tax incentives and the deductibility of inter-corporate dividends.

Accordingly, corporations which were not paying current taxes could achieve significant after-tax cost savings by financing through preferred shares rather than debt. At the same time, the issue of preferreds was encouraged because the cost of that type of capital was lower than the cost of issuing common shares. Also, there was no dilution.

The popularity of the instruments has ebbed and flowed over time. The inflationary spiral of the early 1980s discouraged investors from committing their money in perpetuity. Thus, corporations found that they had to issue retractable preferred shares, a security that gave the holder the option to put the shares back to the issuer at some defined future date. That trend was also helped by the amount of taxes that had to be paid on high interest yielding securities. Thus they shifted their attention to dividend income, which was more tax-efficient.

In the mid-1980s, preferreds flourished because of the need for corporations to restore their balance sheets to financial respectability – and the general inability to finance via common equity. When the common equity boom of 1986-1987 materialised, the popularity of preferreds declined.

'Preferred shares flourished in the 1980s because corporations needed to restore balance sheets to financial respectability'

In the summer of 1987, as part of its tax reform programme, the federal Government tightened the rules on preferreds. Under the new proposals, in virtually all the preferred share financings, the issuer would have to pay a 40 per cent tax on the dividends paid (thereby raising the cost of capital). Alternatively, the issuer could pay a 25 per cent tax and the recipient a 10 per cent tax.

After a period – during which proposals became legislation and Canadian financiers hatched plans to find a way around them – the issues started to flow again. This time round, the taxes were paid by the issuers who were able to claim an offsetting tax credit. (In this way, the after-tax cost of financing equalled the rate on the coupon.)

On the other hand, issues by corporations which were not paying tax also flourished: those corporations took advantage of a provision whereby the tax liability and the associated tax credit could be transferred (within limitations) to related companies in a group. For those issuers, preferreds represented a much cheaper source of capital than debt.

Of late, another factor has come into play: some leading financial institutions are making large profits and are looking for ways to shelter their income. Preferred shares provide the ideal investment because the dividends are received tax free. "The Toronto Dominion Bank is going to make $1bn of profit this year and they are buying half of every issue," says one underwriter. Investment dealers are now designing products to meet that demand. But to be effective, the dealers have to sell the securities on a private placement basis.

So far this year, at least four variations of preferred shares have made their way through the financial markets. These are all based on a structure that represents a way around the restrictive rules that apply to term preferred shares.

The latest craze is corporations issuing perpetual preferred shares where the dividend rate floats in line with the rate on 30-day bankers' acceptances. After five years, the dividend rate is set through an auction procedure. The added wrinkle is that the shares are neither convertible nor exchangeable into common shares of the issuer. John Labatt and Lonvest – two companies within the Peter and Edward Bronfman empire – have sold such securities to the market.

That wrinkle follows an earlier scheme where the dividend rate floated in line with the rate on bankers' acceptances with the preferreds being convertible or exchangeable into common shares of the issuer. At least four corporations – Hollinger, Rogers Communications, Fletcher Challenge Equities Canada and GW-CG Investments – raised funds via this method this year. Those two wrinkles, followed from another variant – issues of perpetual, non-cumulative preferred shares. Those financings were especially attractive to the banks because the money so raised counted as permanent, or Tier 1, capital, for regulatory purposes.

'New craze is companies issuing perpetual preferreds where the dividend rate floats in line with 30-day bankers' acceptances'

Earlier this year issues of perpetual preferred shares where the dividend rate was fixed for the first five years, and after that, was subject to negotiation, were popular.

The 1989 innovations merely continue longstanding tradition in the preferred share market. The most important variations over the past decade have included:

● Guaranteed preferreds. These are securities issued by one corporation, but where another corporation guarantees the timely repayment of dividends, retraction amounts and any redemption premiums.

● Floating rate preferreds: These are securities where the dividend rate floats up and down – though between a defined band – in line with another interest rate, such as the bank's prime lending rate.

● Adjustable floating rate preferreds. With these, there were two influences on dividend, the floating rate plus the extent to which the market price of the securities fluctuates.

● Fixed/floating rate preferreds. Another hybrid where the dividend rate is fixed for a defined period of time and thereafter floats.

● Auction preferreds. While these financings represent permanent capital for an issuer, investors do have an opportunity to get out of their holdings at a regular monthly auction.

● Exchangeable preferreds. Buyers of these securities – which are similar to convertibles – are exchangeable into common shares of a corporation owned, or affiliated, with the issuer.

PREFERRED FINANCINGS (Sm)

Year	Prefs	Common	Debt	Total	Prefs as % of total
1989*	4,242	3,625	5,734	13,601	31.2
1988	658	2,118	6,423	9,199	7.2
1987	2,223	8,952	4,802	15,977	13.9
1986	4,442	5,931	4,344	17,717	25.1
1985	5,309	5,371	4,939	15,619	34.0
1984	5,358	1,897	3,961	11,216	47.7
1983	1,342	5,003	3,961	10,306	13.0
1982	2,694	1,040	6,694	10,428	25.8
1981	2,853	2,060	9,901	14,814	19.9

*For first nine months of 1989
Source: Investment Dealers Association of Canada

Australian dollar sector helps enliven a dull market

POCKETS of activity in unusual sectors enlivened an otherwise dull Eurobond market yesterday, Stephen Fidler writes.

In the Australian dollar sector, Hambros brought to market the longest-dated Australian-dollar issue yet to an enthusiastic response. With a A$350m nominal size, the issue for Treasury Corporation of New South Wales sounded larger than it was. The issue price of 14.55 yielded an annual rate of 13.234 per cent at full fees, though the issue quickly moved to only a 30 basis point discount to issue price.

The lead manager, underwriting 70-80 per cent of the issue, said it was directed initially more to institutional investors than current coupon issues which are usually popular with retail investors. It suggested the popularity of the deal reflected the fact that while investors were becoming more positive about the Australian dollar bonds, currency worries continued to deter them.

Zero coupons offered exposure to the A$ bond market, but less exposure to the currency because of the low issue price. Furthermore, the inverse yield curve offered the opportunity for switching out of current coupon issues into the zero, and to reinvest the proceeds in the higher-yielding short-term markets.

Not that such issues are likely to be a common feature of the market: few borrowers seem likely to want to take on the risks of such issues and with "event risk" at the forefront of investors' minds, few issuers could satisfy investor requirements.

INTERNATIONAL BONDS

The proceeds of the issue will provide funding for a project with a slow initial payback, Hambros said. The funding was comparatively cheap, 100 basis points below the current coupon domestic issues of the same borrower.

A previously-announced $30m convertible for STC Corp, the South Korean packaging maker, was launched by Credit Suisse First Boston. The issue, carrying a put option in 1994 to yield 250 basis points under the five-year US Treasury, rose to an extraordinary premium of 116 bid, despite an indicated conversion premium into non-voting shares of 90-110 per cent and an indicated coupon of 1¼-1¾ per cent, reflecting the shortage of South Korean equity in the market.

Against the background of a quiet secondary market where prices hardly moved, Bank of Tokyo Capital Markets brought an issue for a Curacao finance vehicle of its parent. The $225m issue, with a spread over 10-year treasury paper at launch of 93 basis points (at full fees), was essentially placed in Asia and is not expected to trade.

General Motors Acceptance Corporation brought a three-year issue of Ecu100m through Swiss Bank Corporation, carrying a 10 per cent coupon and an issue price of 101.80. The issue, helped by a rally in European bond markets and a double-digit coupon, appeared to have been well-received.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Bank of Tokyo Curacao(f)◆	225	9	102	2000	2/1⅛	Bank of Tokyo Cap. Mkts
Sanwa International Fin.(b)◆	50	9⅛	101⅞	1996	1⅞/1⅛	Sanwa Int.
STC Corp.(g)§	30	(1¼/1¾)	100	2004	2½/1½	CSFB
Nippon Express Co.(a)‡◆	500	3⅝	100	1994	2¼/1½	Nomura Int.
CANADIAN DOLLARS						
Federal Business Dev.Bank◆	35	11⅜	101⅛	1992	1⅛/⅝	Bqe Int.'a Luxembourg
AUSTRALIAN DOLLARS						
Treasury Corp.New Sth Wales◆	350	Zero	14.55	2008	1⅛/⅝	Hambros Bank
ECUs						
General Motors Acc.Corp.(d)◆	100	10	101.80	1993	1⅛/1	SBC
YEN						
C.Cen.Desjardins du Quebec◆	10bn	5⅞	101⅛	1992	1⅛/⅝	LTCB Int.
Orix Ireland Finance(c)◆	10bn	8	101⅛	1993	1⅝/1⅛	Daiwa Europe
Asahi Beer Int. Finance(c)◆	10bn	12	101⅛	1993	1⅝/1⅛	Daiwa Europe
ASLK-CGER (FICO)(c)◆	3bn	Zero	81.1392	1991	⅝/⅜	Nippon Credit Int.
SWISS FRANCS						
Nagasakiya Co.(d)◆	120	8¾	100⅜	1996	n/e	UBS
ECSC(e)**◆	110	8½	(e)	1994-97	n/a	Credit Suisse
Comptoir des Entrepreneurs◆	50	6¾	101⅝	1997	2⅛	S.G. Warburg Soditic

**Private placement. ¶With equity warrants. §Convertible. ◆Final terms. a) Coupon cut by ⅞% from indication. b) One call Dec.1991 at 100. c) Redemption linked to Nikkei stock index. d) Non-callable. e) Launched in four tranches of SFr27.5m each. Issue price for issues maturing in 1994, 1995 and 1996 is 100½, and in 1997 100¼. f) One call July 1996 at par. g) Call at 104 in 1992 declining thereafter by 1% until 1994. Put Dec.1994 to yield 250bp below US Treasury.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Thursday November 30 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1989 to date	Wed Nov 29 Index No.	Tue Nov 28 Index No.	Mon Nov 27 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (205)	875.51	+1.1	12.88	4.85	9.51	29.58	865.84	865.98	859.65	777.88
2 Building Materials (28)	1045.21	+1.4	15.23	5.38	8.19	36.22	1031.19	1031.44	1029.48	954.75
3 Contracting, Construction (37)	1392.69	+0.1	17.83	5.56	7.36	56.19	1390.78	1392.39	1380.90	1473.74
4 Electricals (10)	2478.64	+1.3	11.02	5.02	11.41	83.50	2447.61	2427.14	2391.27	2340.60
5 Electronics (30)	1925.11	+1.8	9.29	3.67	13.84	51.54	1890.50	1899.25	1896.09	1721.89
6 Mechanical Engineering (53)	455.18	+0.6	12.34	5.02	9.87	15.76	452.50	453.19	448.10	409.27
8 Metals and Metal Forming (6)	459.82	+1.2	25.69	6.52	4.39	22.51	453.53	453.06	449.75	471.38
9 Motors (17)	365.76	+1.5	10.94	4.77	10.71	11.84	360.25	357.49	354.13	268.24
10 Other Industrial Materials (24)	1648.82	+0.9	10.10	4.56	11.68	54.13	1634.85	1633.51	1615.65	1109.38
21 CONSUMER GROUP (185)	1280.64	+1.1	8.77	3.52	14.31	31.74	1266.15	1260.74	1248.80	1028.39
22 Brewers and Distillers (23)	1463.47	+1.9	9.35	3.47	13.33	29.39	1436.43	1425.98	1419.82	1138.97
25 Food Manufacturing (20)	1127.23	+1.7	9.39	3.98	13.35	38.38	1108.39	1099.95	1093.22	924.85
26 Food Retailing (15)	2288.82	+1.1	9.29	3.17	14.23	49.99	2263.25	2254.14	2223.06	1888.81
27 Health and Household (14)	2604.07	+0.3	6.07	1.88	19.62	44.72	2596.62	2591.31	2553.56	1793.97
29 Leisure (35)	1582.23	+1.1	8.27	3.67	14.87	41.42	1564.35	1560.70	1548.85	1365.66
31 Packaging & Paper (14)	535.89	+0.2	12.29	5.39	10.19	18.37	534.77	535.68	532.84	528.99
32 Publishing & Printing (18)	3667.23	+0.5	8.55	4.78	15.12	119.20	3647.49	3652.29	3618.34	3296.44
34 Stores (32)	786.24	+1.3	11.06	4.74	11.78	25.94	776.00	772.44	764.73	693.71
35 Textiles (14)	512.66	+1.8	11.21	5.78	10.82	21.23	503.38	498.56	493.52	460.39
40 OTHER GROUPS (95)	1139.86	+0.7	10.59	4.57	11.44	31.95	1131.79	1123.49	1115.79	891.10
41 Agencies (17)	1518.23	+0.2	6.93	2.40	17.71	27.81	1515.24	1512.39	1493.42	1031.06
42 Chemicals (22)	1200.45	+0.5	12.65	5.32	9.29	47.50	1194.34	1189.43	1186.02	1084.75
43 Conglomerates (14)	1646.52	+0.2	10.61	5.21	11.11	39.29	1643.00	1640.07	1626.54	1252.16
45 Transport (13)	2201.86	+1.5	10.82	4.36	11.79	68.85	2168.73	2156.32	2126.81	1878.10
47 Telephone Networks (2)	1116.48	+0.8	11.38	4.59	11.43	22.38	1107.98	1094.72	1087.15	997.15
48 Miscellaneous (27)	1886.84	+1.0	9.30	4.36	12.13	64.78	1867.65	1844.63	1838.56	1176.38
49 INDUSTRIAL GROUP (485)	1148.84	+1.0	10.31	4.15	11.96	32.16	1137.34	1132.67	1123.43	939.88
51 Oil & Gas (15)	2249.31	+0.5	9.63	5.09	13.73	96.40	2238.42	2244.31	2244.90	1701.67
59 500 SHARE INDEX (500)	1241.05	+0.9	10.21	4.28	12.18	37.40	1229.53	1225.66	1217.15	1004.68
61 FINANCIAL GROUP (121)	811.50	+0.4	–	5.21	–	29.23	808.20	797.85	787.74	683.57
62 Banks (9)	838.51	-0.3	28.59	6.00	6.38	35.17	841.07	828.04	821.94	674.51
65 Insurance (Life) (8)	1372.64	+0.9	–	4.84	–	47.56	1360.93	1345.78	1329.75	921.48
66 Insurance (Composite) (7)	699.36	+1.0	–	5.41	–	28.34	692.11	673.53	660.31	503.90
67 Insurance (Brokers) (7)	1131.88	+1.5	6.66	3.54	19.90	47.09	1114.85	1111.87	1105.95	983.21
68 Merchant Banks (11)	462.35	+2.6	–	3.74	–	10.85	449.47	443.80	439.41	321.95
69 Property (49)	1166.56	+0.1	7.80	3.65	16.23	26.21	1165.23	1150.00	1139.69	1279.48
70 Other Financial (30)	317.53	+0.4	12.86	6.76	10.20	15.08	316.11	314.89	312.77	356.93
71 Investment Trusts (69)	1255.60	+0.5	–	2.79	–	24.78	1249.48	1244.17	1237.79	915.65
81 Mining Finance (1)	695.45	+1.3	10.73	3.87	10.47	22.25	686.47	677.48	676.20	560.58
91 Overseas Traders (7)	1442.10	+0.5	9.58	3.60	11.96	60.11	1435.32	1423.38	1411.67	1351.02
99 ALL-SHARE INDEX (698)	1138.67	+0.8	–	4.39	–	35.14	1129.22	1123.52	1115.01	925.65

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 29	Nov 28	Nov 27	Nov 24	Nov 23	Year ago
FT-SE 100 SHARE INDEX§	2276.8	+21.2	2276.8	2251.6	2255.6	2242.0	2224.3	2222.4	2220.5	1778.7

FIXED INTEREST

	PRICE INDICES	Thu Nov 30	Day's change %	Wed Nov 29	xd adj. today	xd adj. 1989 to date
	British Government					
1	Up to 5 years	116.62	.....	116.61	–	10.50
2	5-15 years	129.23	+0.04	129.18	–	11.60
3	Over 15 years	137.24	+0.03	137.19	–	12.71
4	Irredeemables	154.33	-0.61	155.28	–	13.42
5	All stocks	127.48	+0.02	127.46	–	11.52
	Index-Linked					
6	Up to 5 years	139.77	.....	139.76	–	2.79
7	Over 5 years	137.64	+0.24	137.31	–	3.21
8	All stocks	137.68	+0.22	137.38	–	3.15
9	Debentures & Loans	106.05	+0.48	105.54	–	10.15
10	Preference	85.32	+0.09	85.24	–	5.36

	AVERAGE GROSS REDEMPTION YIELDS		Thu Nov 30	Wed Nov 29	Year ago (approx.)
	British Government				
1	Low	5 years	10.32	10.33	10.48
2	Coupons	15 years	9.88	9.87	9.54
3		25 years	9.80	9.77	9.09
4	Medium	5 years	11.34	11.32	10.80
5	Coupons	15 years	10.27	10.27	9.76
6		25 years	9.92	9.90	9.28
7	High	5 years	11.48	11.47	10.95
8	Coupons	15 years	10.48	10.48	9.89
9		25 years	10.06	10.04	9.32
10	Irredeemables†		9.90	9.84	8.93
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.84	3.84	3.47
12	Inflation rate 5%	Over 5 yrs.	3.72	3.73	3.70
13	Inflation rate 10%	Up to 5 yrs.	2.97	2.96	2.29
14	Inflation rate 10%	Over 5 yrs.	3.54	3.56	3.53
15	Debs &	5 years	12.94	12.99	11.24
16	Loans	15 years	12.48	12.55	11.00
17		25 years	12.12	12.19	10.76
18	Preference†		10.76	10.77	10.32

§Opening index 2252.9; 10 am 2257.7; 11 am 2255.8; Noon 2256.5; 1 pm 2262.2; 2 pm 2266.1; 3 pm 2272.5; 3.30 pm 2271.5; 4 pm 2272.4 (a) 4.59pm (b) 9.07am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	36	41	25
Corporations, Dominion and Foreign Bonds	9	2	31
Industrials	433	303	863
Financial and Properties	186	122	368
Oils	34	17	42
Plantations	0	1	6
Mines	21	60	81
Others	53	94	106
Totals	772	640	1,524

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
–	F.P.	–	78	51	Abtrust New Dawn B Wts	78	+4	–	–	–	–
§75	F.P.	–	83	81	‡Air London 5p	83		R2.25	2.5	3.6	12.6
§20	F.P.	–	25½	18	*Autos of Distinction 5p	18	-½	–	–	–	–
–	F.P.	–	84	76	BTR Warrants 1993/94	81	+2	–	–	–	–
§142	F.P.	–	150	146	‡Baris Hldgs 10p	150		R5.5	2.7	4.9	9.5
†	F.P.	–	102	95	‡Bexbuild Devlpmts 50p	102	+2	1.8	5.9	2.3	9.5
§82	F.P.	–	91	86	‡CIA Group 5p	90	-1	R2.5	3.6	3.7	9.9
◆	F.P.	–	53	46	CRT Group 10p	46xr	-5	–	–	–	–
Ir56	F.P.	2/11	71	56	‡Cambridge Grp. Ir5p	65		d07½%	14.8	0.5	16.7
100	F.P.	–	106	93½	Drayton Asia Trust 10p	106		–	–	–	–
–	F.P.	–	58	46	Do. Warrants	53		–	–	–	–
§	F.P.	–	8½	5½	EFM Dragon Tst Wrrts'05	8½	-¼	–	–	–	–
†	F.P.	–	865	700	‡Elan Corpn. Ir4p	700		–	–	–	66.1
50	F.P.	–	53	40	‡Essex Furniture 5p	40		u1.88	2.3	6.3	9.0
707	F.P.	–	923	865	Euro Disneyland FFr10	923	+14	–	–	–	–
–	F.P.	–	19	5	Europa Minrls. Wrrnts.	16		–	–	–	–
Ir96	F.P.	20/10	95	83	‡FBD Hldgs. Ir50p	95		s03.2%	5.2	2.4	13.7
$10.1	F.P.	–	650	637	Genesis Chile Fd. 1c	637		–	–	–	–
†	F.P.	–	70	63	*Hartley Baird 5p	63	-2	8.75	6.4	1.6	11.5
105	F.P.	30/11	105	98	Hays 1p	105		W3.0	2.8	3.8	12.3
100	F.P.	8/12	98	95	I & S Optimum Inc 10p	97		–	–	–	–
§	F.P.	–	975	944	JF Philippine Fd $1	944	-31	–	–	–	–
§	F.P.	–	331	325	Do. Warrants	331	+6	–	–	–	–
–	F.P.	–	105	80	Leveraged Oppty Tst.	83		–	–	–	–
–	F.P.	–	61	38	Do. Warrants	41	-1	–	–	–	–
††	F.P.	–	81	66	*Mid-States	70		–	–	–	–
†	F.P.	–	934	863	Mitsui Tst & Banking Y50	929	+1	Q16%	7.1	0.4	36.8
§50	F.P.	–	52	40	Pacific Horizon Inv 10p	50		–	–	–	–
–	F.P.	–	28	17	Do. Warrants	20		–	–	–	–
–	F.P.	–	25	17	Pacific Prop Wrrnts	23		–	–	–	–
§130	F.P.	–	143	115	Partridge Fine Arts 10p	118		R3.5	2.5	4.0	10.9
†	F.P.	–	83	75	Pendragon	77	+1	W4.25	2.6	7.4	7.0
100	F.P.	–	113	100	*Ramsden's (Harry) 10p	112		R4.5	1.1	5.4	22.5
†158	F.P.	–	162	159	‡Regal Hotel Grp 2p	160		–	–	–	–
†	F.P.	–	£30¾	£27½	Stora B Free Sk25	£29¼	-⅛	Q40%	3.8	5.3	10.8
†	F.P.	–	1001	915	Toyo Tst & Banking Y50	1001	+17	Q16%	6.9	0.3	40.6
90	F.P.	–	94	68	Vardy (Reg) 10p	77		u3.38	2.2	5.8	7.9
§97	F.P.	–	103	96	‡Wescol Group 10p	98		u4.5	2.0	6.1	8.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price £	+ or -
98.94	F.P.	–	99⅛	97	British Inv. Tst. 11¼pc Sec. Db 2012	97	
100p	F.P.	22/12	102p	98p	Caird Grp. 7p Cm. Cv. Pf. 2009 10p	99p	+1
§99.68	F.P.	–	100⅛	99	Foreign & Col. 11¼pc Db. 2014 £100	99¼	
–	F.P.	8/12	104p	97p	I & S Optimum Income Tst Zero Div Pf	103½p	
100p	F.P.	–	100p	93p	MB Grp. 7.25p Cv. Cm. Rd. Pf. 15p	93p	
§420p	P.P.	10/7	138p	96p	Tiphook Units	108p	

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989 High	1989 Low	Stock	Closing Price p	+ or -
111	Nil	19/1	13pm	10pm	‡Allied Ins. Brokers10p	13pm	
12	Nil	19/1	3pm	1pm	‡AmBrit Intl. 5p	1½pm	+¼
40	Nil	5/1	11pm	6pm	CRT Group 10p	6pm	-3
Ir70	Nil	12/1	12pm	6pm	European Leisure	9pm	
15	Nil	29/12	2½pm	1½pm	‡INOCO 10p	2pm	-¼
95	Nil	5/1	87pm	35pm	Inchcape (George) 10p	35pm	
Ir295	Nil	–	40pm	40pm	Jacob (W & R)	40pm	
10	Nil	27/12	7pm	4pm	‡Option Group 10p	4½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ◆ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ◆ Issued in connection with reorganisation merger or takeover. ‡ Allotment price. ‡ Unlisted securities market. ‡ Official London listing. □ Including warrants entitlement. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Nov 6
● Last Dealings Dec 1
● Last Declarations Feb 22
● For settlement Mar 5

For rate indications see end of London Share Service

Calls in Ferranti Intl. Signal, Lowndes Queensway, NTT, Tuskar Res., Rechem, Utd. Scientific, NYNEX, Whessoe, Brent Walker, Amstrad. Put in Lowndes Queensway.

LONDON TRADED OPTIONS

LONDON TRADED options had a busier day as the rise on the stock market prompted a pick-up in activity in the derivatives markets. Turnover was concentrated in the FT-SE 100 Index option contract, while among the stock options BP also featured.

By the end of the day, a total of 36,083 contracts had changed hands, compared with 27,837 on Wednesday. Thursday's total was divided between 19,179 calls and 16,904 puts.

The gains posted on the stock market flushed out a number of investors who had been short, prompting them to buy near-month FT-SE call options. Activity increased before the close, with the futures market leading the way. The December FT-SE futures contract closed at a 20 point premium to the cash index, compared with the level on Wednesday.

Of the larger trades, James Capel bought just under 1,000 December 2,300 calls. Investors were also noted buying back calls from the December 2,150 series upwards. Total turnover in the FT-SE amounted to 13,982, compared with 12,293 the previous day. The busiest series was the December 2,300 call, which traded 1,710 contracts.

The recent stability in turnover on the stock market was reflected in Wednesday's open interest figures. The total number of contracts outstanding at the end of the day amounted to 769,845, compared with 763,767 at the close of business on Tuesday. Meanwhile, FT-SE open interest stood at 148,868 lots, compared with 148,476. Among the stock options, BP was the most active, with dealers saying that an investor had rolled over about 1,500 contracts from January into April. BP turned over 4,013 contracts, of which 3,725 were puts and 288 were calls. The January 300 put series was the busiest, and traded 1,800 contracts.

Lonrho also featured, as one investor sold 500 December 309 calls at 3p. This was reflected in the turnover figures, which showed 885 contracts changed hands. Of these, 869 were calls, 16 were puts, and the December 309 call series was the busiest, trading 500 lots.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*483)	420	67	85	90	3	7	12
	460	35	57	65	10	14	23
	500	15	33	43	35	37	42
ASDA (*130)	120	15	20	25	4	7	8
	130	9	15	20	7	11	11
	140	4½	9	15	13	16	18
Shell Trans. (*447)	390	67	74	85	2	6	10
	420	41	47	63	6	13	17
	460	15	24	37	18	24	32
Storehouse (*115)	110	8½	17	19	6	9	10
	120	4½	11	14	12	15	16
[illegible]							

Option		Calls Jan	Calls Mar	Calls May	Puts Jan	Puts Mar	Puts May
Ferranti (*49)	45	7½	10	12	2	3½	4½
	50	4½	7	9	4	6	7
[illegible]							

UK COMPANY NEWS

Extensive and varied portfolio helps cushion effects of market slowdown

MEPC meets City forecasts with 22% rise

By Paul Cheeseright, Property Correspondent

MEPC, the second largest British property investment and development group, yesterday delivered an increase in net asset value and profits of more than 20 per cent.

The general performance was well in line with that achieved by other property groups and fitted in the middle of City predictions. The figures were not high enough to stimulate the market price, nor weak enough to depress it. In a sluggish sector, MEPC gained 3p to 508p.

The share price is thus at a substantial discount to the historic net asset value, which at the end of September was 851p, compared with 727p a year before.

Pre-tax profits in the year to September rose 21.7 per cent from £104.8m to £127.5m. Earnings per share rose to 27.6p (22p). The final dividend of 12.25p raises total payments for the year to 17p (14.5p).

MEPC commented that it had been operating in a market where the growth rate had been slowing – indeed the return on shareholders' funds during 1988-89 was 24 per cent against 40 per cent in 1987-88. Like other property groups recently reporting, MEPC gave a quiet warning that 1989-90 might not be a brilliant year.

"The economy in the UK is slowing down under the pressure of high interest rates. We are a service business and cannot insulate ourselves from the fluctuating fortunes of our customers," Sir Christopher Benson, the chairman, told shareholders.

For all that, Sir Christopher believes that "the prospects for the group in the forthcoming year are promising." Like the other large investment groups, MEPC can rely on a extensive and varied property portfolio.

Tony Andrews

James Tuckey (left), managing director, and James Beveridge, finance director

At the end of September this portfolio was valued at £3.6bn, of which £3.13bn was investment properties. The valuation at September 1988 was £3.08bn.

By value, 29 per cent of MEPC's properties are in the West End of London, arguably the most resilient of the different London markets. Just under 21 per cent are in the City of London and another 24 per cent are in south-east England. The uplift in the value of British properties has reduced the proportion of overseas properties in the portfolio – they now account for 16 per cent.

The portfolio generates its own development programme and 70 per cent of MEPC developments have originated from this source. The total programme, overwhelmingly concentrated in the UK, will cost £1.4bn. But, says MEPC, "it remains our objective to increase the proportion of the group's assets overseas."

MEPC's net gearing is 82 per cent. It has joined other property groups in ensuring that its exposure to high interest rates has been reduced by caps and swaps. At the year end 6 per cent of its borrowings were at a variable rate. The average interest rate on its borrowings is 10.5 per cent.

See Lex

Chief quits as B'ham Mint falls into loss

By Richard Tomkins, Midlands Correspondent

MR COLIN Perry, executive chairman of Birmingham Mint, the electronics and engineering group, yesterday resigned as the company plunged into losses for the half-year to September 30.

The announcement came after the stock market close, so the shares were unchanged at 109p.

Mr Perry resigned at a board meeting yesterday afternoon as he and his fellow directors studied figures showing that the previous year's static pre-tax profits of £1.65m had turned into pre-tax losses of £599,000.

Earnings per share of 7.7p turned into a loss per share of 2.7p, and the board decided to cut the interim dividend to 0.5p (3p).

Mr Tony Cross, a non-executive director since 1984, *becomes non-executive chairman*, and Mr Harry Balmer, managing director since October 2, takes over Mr Perry's executive duties.

Mr Cross, who is chairman and chief executive of Centreway Trust, a Midlands development capital group, said that Mr Perry had regarded his position as untenable once the board had voted to reduce the interim dividend.

"He resigned as a director and his service contract has been terminated by the board. The directors will be entering into negotiations with regard to compensation in due course," said Mr Cross.

Birmingham Mint warned in October that interim profits would be sharply down, but the outcome was much worse than expected.

Mr Cross said the high level of UK interest rates had caused de-stocking among the group's customers in the building products, DIY and consumer sectors in the early summer, and this had carried through to the autumn "with a vengeance".

Worst hit were Electro-Precision Components, the electrical contacts arm, which saw a 25 per cent cut in volume, and Nevin Lonsdale, the printed circuit board maker.

There was also a heavy increase in the interest charge from £128,000 to £356,000.

US earnings boost Scapa to over £20m

By Andrew Bolger

SCAPA GROUP, the Blackburn-based manufacturer of specialist products for the paper and printing industries, increased its pre-tax profit by 10.5 per cent, from £18.14m to £20.07m, in the half year to September 30.

Turnover rose 7 per cent to £134.92m (£125.69m). A 17 per cent increase to £13.87m in operating profit from North America helped to offset a 5 per cent drop to £5.83m in the UK.

Mr Bill Goodall, chairman, said: "Overall the second half of the year has started well and order books remain strong."

He added that the European and American paper industries were experiencing respectively their best and second best year ever for output and both had held np enconragingly, although there was evidence of downward pressure on paper prices and stock build-up as large new paper machines had come on stream, with immediate and substantial increases *in capacity*.

UK results in the first half had been depressed by exceptional rationalisation costs and the benefits of this would show through in the second half, the chairman said. In any case, only 20 per cent of Scapa's turnover was sold in the UK.

Earnings per share rose by 12.5 per cent to 7.1p (6.3p), and the interim dividend matches that by moving np to 1.43p (1.27p).

● COMMENT

Having been under the cosh from currency effects for five long years, Scapa was yesterday able to say that exchange rates had boosted its North American profits by £1m and that the outlook for the dollar and sterling seems likely to help the group for the forseeable future. Analysts were slightly disappointed by the UK figures and will be keen to see the second half improvement promised. Scapa's shares closed at 156p, up 2p. The paper industry may be near the top of its cycle, but Scapa's small UK exposure should help to insulate it from any domestic recession. Forecast full-year profits of £44m and earnings of 16p put it on a multiple of just under 10 – not unreasonable given Scapa's overseas bias and advantageous currency.

Retail losses put Bennett & Fountain £8m in red

By Nikki Tait

THE HORROR story behind an earlier profits warning from Bennett & Fountain was spelt out yesterday as the electrical goods distributor disclosed a £10.7m loss before tax in its *retail division* and a £7.88m deficit for the group overall after sharply increased interest charges in the year to July 1.

B&F also revealed that accountants Ernst & Young have qualified the accounts of the retail subsidiaries "in relation to the adequacy of recording sales and receipts". The qualification will be reflected by the holding company's auditors in their report.

B&F's explanation is that its *computer system* broke down twice towards the end of 1988, in one case for about 14 days, which had "a dramatic adverse effect on the accounting controls in the division".

The full year results show sales of £57.3m (£31.7m) on the retail side, but a loss after interest of £10.7m (£1.81m profit). The company is planning to rationalise the division, originally comprising 156 stores, and yesterday announced that seven stores had been sold since July for £1.7m cash, against a net book value of £1.05m.

B&F has also sold its rental business, plus a further 14 outlets to Thorn-EMI for about £12m.

On the wholesale side, B&F saw sales up from £34.2m to £46.4m, hut "restructuring costs" pushed pre-tax profits down to £2.78 (£3.49m). A small wholesaler with six outlets, AES Electrical, is being acquired for an initial £950,000 and an additional maximum deferred profit-related payment of £900,000.

There is no final dividend (0.7p), hut the shares gained 1p to 38p.

Remaining B&C stake helps Caledonia improve 34%

By Andrew Hill

CALEDONIA INVESTMENTS, the holding company controlled by the Cayzer family, pushed up profits by 34 per cent in the first half of 1989-90, making £16.37m against £12.24m last time.

Earnings per share for the six months to September 30 were 12.34p (9.4p) and the company – which this week staked a claim to huy part of the Sealink Isle of Wight ferry service – declared an interim dividend of 4p (3.5p).

However, Lord Cayzer, Caledonia's chairman, repeated his warning that it would be difficult for the UK to avoid a hard economic landing.

The bulk of investment income in the first half again came from Caledonia's reducing investment in British & Commonwealth Holdings preference shares. Caledonia sold most of its large stake in B&C two years ago.

The preference shares paid £10.5m in the first half. That was roughly the same as in the equivalent period – in spite of the fact that the number of shares was reduced – because of a higher coupon on the outstanding investment.

Overall investment income increased to £14.07m (£13.86m) and interest receivable rose from £59,000 to £2.8m.

● COMMENT

As the B&C holding reduces, Caledonia turns its formidable investment talents towards other fields, to replace that stable income. The group does not comment on individual shareholdings at the interim stage, but should Lord Cayzer's forecast hard landing come about, and the latest investments take time to build up momentum, Caledonia's interest cover will be sufficient to allow the group to continue its progressive dividend policy even without the B&C holding. That must bode well for the investor. Admiring analysts reckon the gronp should reach £32m before tax in the full year, putting the shares, which jumped 13p to 350p yesterday, on a prospective multiple of 14.

Greystoke resigns CWG chair

By Andrew Bolger

MR ANDREW Greystoke has resigned as chairman and chief executive of City & Westminister Gronp, the corporate finance company – only five months after obtaining a USM quote hy reversing into A&M, the loss-making theatrical supplier.

Mr Greystoke's departure is the latest twist in a colourful City career which has seen him work for Slater Walker, the financial conglomerate which crashed in 1974, and be head of corporate finance for Mr Gerald Ronson's Heron Group.

His resignation comes after a flurry of deals since the summer flotation, which have seen shares in CWG plunge from 7p to yesterday's close of 2¼p.

Mr Greyetoke has been replaced as chief executive by Mr Aaron Gershfield, who founded Archford Investments, a consumer protection and computer services company. It is the main subsidiary of CWG along with City & Westminster Financial, the financial services subsidiary which Mr Greystoke hrought to the enlarged group.

Mr Gershfield said the parting of the ways had come because, although the Archford businesses had achieved the profits forecast at the time of the flotation, C&W Financial had signally failed to do so.

Last week it was announced that Mr Greystoke and other directors were involved in talks with a view to arranging a buy-out of C&W Financial.

Mr Gershfield said yesterday that he still hoped that such a buy-out could be arranged by Mr Greystoke, but if that was not possible CWG would aim to dispose of the assets of C&W Financial and concentrate on the Archford businesses.

Less than a week after the flotation, CWG took a 15 per cent stake in Parrish, the regional stockhroking group, and a 25.4 per cent in Alpine, the soft drinks distributor.

In September CWG bought 4.59 per cent of UTC, the corporate finance group, paying 225p a share, a premium over the market. Mr Greystoke proposed a merger with UTC but the talks were later called off and UTC shares are currently at 107p, which amounts to a book loss of over £800,000 on the UTC stake.

Mr Greystoke, who was not available for comment yesterday, tried to obtain a quote for CWF in 1986 by reversing into Bremner, a shell company which was chaired by Mr James Rowland-Jones. But Mr Rowland-Jones repulsed CWF, criticising Mr Greystoke's record as a director of Bremar Holdings, a licensed deposit taker since liquidated.

As well as Mr Greystoke, Ms Sally Morgan and Mr Anthony Philips have resigned as directors of CWG. Mr Christopher Kirkham-Sandy, who joined CWG only last month on secondment as finance director, has also resigned. Mr Michael Bancroft has been appointed finance director.

Huntingdon Intl advances 41%

Huntingdon International, the company which specialises in life sciences and engineering services, yesterday reported a 41 per cent rise in pre-tax profits from £11.19m to £15.82m in the year to September 30.

Turnover in the period increased from £60.53m to £81.4m. After tax of £3.39m (£2.39m) earnings per 5p share worked through at 14.1p (10.4p) and the proposed final dividend of 1.8p makes a total for the year of 2.3p (2.25p).

The life sciences segment of the business continued to operate at high capacity and there were no signs of any easing in demand.

UK COMPANY NEWS

Sovereign debt provisions cut Royal Bank to £228m

By David Barchard

PROVISIONS against developing country debt depressed the result at Royal Bank of Scotland Group for the year to September 30. The deduction of £108.3m left pre-tax profits at £228.2m, compared with £309.2m in the previous year. However, the result was described by Sir Michael Herries, group chairman, as most satisfactory.

RBS has now made provisions against 75 per cent of its £404m of developing country debt. It has also reduced its Third World debt by £105m in the past year. Mr Charles Winter, group chief executive, said the group did not expect to make further provisions.

Charterhouse, the group's merchant bank, contributed £53.4m in pre-tax profits, compared to £35.1m last year. The advance included £1.8m from stockbroking activities, against a £400,000 loss previously, capital markets operations made £2m; and development capital £20m. Charterhouse also made £10m from the sale of its stake in Distillers Company.

Citizens Financial Group, the US financial services group acquired last December, contributed £22.1m.

However, profits at RoyScot Finance Group, which includes A.T.Mays, the travel company, fell to £24.1m (£27.8m).

Direct Line Insurance contributed £8.1m (£4m). Capital House, the investment management arm, returned to profits with £1.2m (loss of £3.1m).

Group assets have grown from £21.66bn a year ago to £27.44bn. The net interest margin was unchanged at 3.1 per cent, while the net interest spread for the group has fallen to 2 per cent (2.1 per cent.)

The group's cost/income ratio has gone up from 62.2 per cent last year to 64.4 per cent, while its risk adjusted capital ratio under BIS is 12.8 per cent (13 per cent). Retained profits were £92.4m (£149.3m).

Earnings per share have fallen to 19.9p (26.8p), but the recommended final dividend of 4.8p brings the total for the year to 7.2p (6p).

See Lex

Grafton I£7.2m placing and open offer

GRAFTON GROUP, the Dublin-based manufacturer and retailer of DIY and building products, yesterday announced a I£7.2m (£6.77m) share placing and open offer involving the issue of 3.12m new ordinary shares at I£2.3 per share.

The shares have been conditionally placed by Ulster Investment Bank through Goodbody James Capel.

Existing shareholders are entitled to subscribe for the new shares at the offer price on a one-for-four clawback arrangement.

The net proceeds of the issue will be used initially to reduce borrowings – at end-October these stood at I£6.8m – and finance continued growth.

The directors are forecasting pre-tax profits of not less than I£3.7m (I£2.2m) for the year to end-December. A second interim dividend of 3p will make a total of up from 4p to 5p.

Near 10% stake in Spectrum changes hands

By Nikki Tait

AN INTEREST of just under 10 per cent in Spectrum, the computer equipment distributor which has seen numerous stakeholders pass through its share register in recent times, was sold yesterday.

Heatherset, which held 1.69m shares or 9.25 per cent, said that it had disposed of its entire shareholding.

Yesterday, Mr Alistair MacGillivray, the company's chairman, said that he did not know who might have acquired the interest, or whether it had gone to a single party.

Mr MacGillivray commented that enquiries had shown Heatherset to be a company registered in the Irish Republic, in turn owned by two Isle of Man companies and with two individuals living on the Isle of Sark, in the Channel Islands, as directors.

However, he added that he believed the beneficial owners to have been a couple of US/Israeli businessmen, whom the company had met some time ago.

Shares in Spectrum were unchanged at 20p yesterday.

Eagle Trust airline to be wound up after rescue fails

By Richard Tomkins, Midlands Correspondent

PARAMOUNT AIRWAYS, the Bristol-based charter airline, until recently controlled by former Eagle Trust directors Mr John Ferriday and Mr Richard Smith, is to be wound up with the loss of 170 jobs. This follows the collapse of a rescue plan launched in early November.

About 130 employees were made redundant yesterday and the remaining 40 are expected to leave when Paramount's contract to supply a Boeing 737 and crew to Ansett, the Australian domestic airline, runs out.

Paramount was put into administration – a form of receivership – in August when it was overtaken by a financial crisis. This coincided with the launch of a Serious Fraud Office investigation into a missing £13.7m at Eagle Trust.

Paramount became involved in the SFO investigation when the administrators – Mr Roger Powdrill and Mr Joe Atkinson of accountants Spicer & Oppenheim – found that unexplained payments worth several million pounds had been made by the airline to other companies controlled by Mr Ferriday and Mr Smith.

The administrators nevertheless tried to find a buyer for the airline, and at the beginning of November it appeared that they had met with partial success when a management-backed consortium made an offer of £1.55m for most of its assets.

Yesterday, however, Mr Powdrill said the consortium had withdrawn its offer and there were insufficient funds within the business to keep it going.

Mr Powdrill said he thought the collapse of the offer had been prompted by the consortium's difficulty is securing guaranteed flying for the winter season in the face of a glut of aircraft. Charter airlines generally, he said, were in a state of uncertainty with the downturn in holiday business.

Paramount had also been caught up in a complex legal dispute with Bristol and Birmingham airports which had resulted in two of its aircraft being impounded, but Mr Powdrill said this had not been the direct cause of the consortium's withdrawal.

The administrators are trying to recover the unexplained payments made by Paramount as a prelude to winding up the business. The process is likely to take more than a year.

NEWS DIGEST

Downturn at Stoddard Sekers

Stoddard Sekers, Scottish based furnishings manufacturer, reported a cut in both profits and sales for the six months ended September 30.

Group pre-tax profits were down from £1.37m to £1.16m, and sales were reduced from £28.3m to £21.63m, largely as a result of businesses sold.

However, sales of £21.6m (£22m) and operating profits of £1.47m (£1.48m) are more similar to those achieved by the continuing businesses last year, and the company attributes its static performance to high interest rates and reduced consumer demand.

Results for the second half will be enhanced by a one-off pension refund in excess of £1m before tax.

Earnings per share were reduced at 1.5p (2.1p). The interim dividend remained unchanged at 0.55p per 10p share.

United Drug improves to I£2.05m

Reflecting a year of continued development in each of its four divisions, USM-quoted United Drug increased its pre-tax profit from I£1.43m to I£2.05m, or £1.92m.

This 43 per cent advance was made from turnover 16 per cent ahead at I£50.79m (I£43.65m) in the year ended September 30 1989. Earnings were 13.95p (11.45p) and the final dividend is 3.415p for a total of 5p (4.585p).

Dundee & London nav falls to 319p

Dundee & London Investment Trust had a net asset value of 319p per share at October 31 1989 compared with a previous 360p.

After tax of £628,000 (£541,000) net revenue for the year advanced from £1.53m to £1.81m for earnings of 10.7p (9.02p) per share. The dividend is lifted to 10.5p (8.8p) with a proposed final of 7.1p (5.9p).

Penny & Giles higher at £1.2m

Including the results of its recent acquisition, Penny & Giles International, electronic instrumentation manufacturer, saw pre-tax profits for the six months to September 30 higher at £1.18m, against £964,000.

The results were achieved despite high interest rates and expansion and restructuring costs.

Turnover was £14.3m (£10.1m). Earnings per share were 8.28p (7.06p) and the interim dividend has been raised to 1.25p (1.05p).

Isopad disappoints with fall to £702,000

Isopad International, the temperature control group, reported a "disappointing" fall in pre-tax profits from £903,000 to £702,000 in the six months to July 31. Sales slipped from £6.45m to £6.37m.

Mr Harry Childerley, chairman and managing director, said that sales had held up in difficult conditions. Margins had been affected by two factors. The transfer of all UK production into one location had not been achieved as quickly or as smoothly as planned, and delays in bringing into production a major contract led to unforeseen losses.

After tax of £304,000 (£401,000), earnings worked through at 3.6p (4.9p) basic and 3.2p (4.3p) fully diluted. The interim dividend is lifted from 1.5p to 1.65p.

The outlook for the year was clouded by many uncertainties, said Mr Childerley, including rising inflation, fluctuating exchange rates and the threat of recession.

The directors are proposing to seek authority to buy-in up to 10 per cent of the company's own shares.

Castings rises to £1.43m but cautious

Castings, supplier of iron castings to manufacturing industries, increased taxable profits by 25 per cent from £1.14m to £1.43m in the six months to September 30 on sales up 19 per cent from £9.22m to £11.02m.

The directors warned, however, that demand had since fallen due to uncertainty in the engineering and motor industries.

They have raised the interim dividend to 2.2p (1.75p) on earnings per 10p share of 9.01p (7.17p).

MONTHLY AVERAGES OF STOCK INDICES

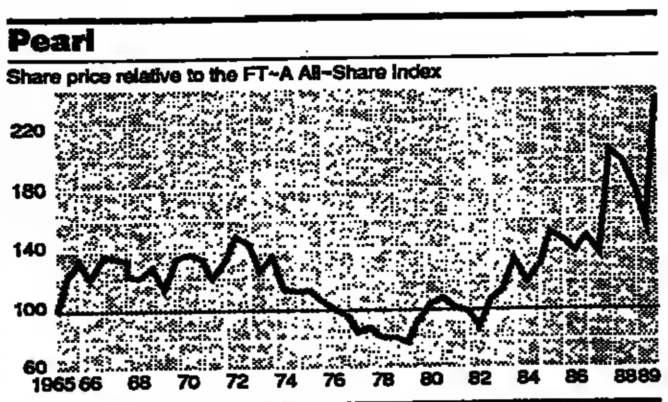
	November	October	September	August
Financial Times				
Government Securities	83.92	84.50	85.79	87.24
Fixed Interest	93.21	94.21	96.55	97.77
Ordinary	1758.0	1786.7	1959.0	1960.3
Gold Mines	286.4	203.5	206.0	199.6
SEAQ Bargains (5 p.m.)	23,641	26,284	25,669	28,315
F.T.-Actuaries				
Industrial Group	1126.05	1138.00	1246.34	1243.46
500 Share	1212.80	1223.70	1329.32	1323.05
Financial Group	775.35	757.14	814.10	799.71
All-Share	1108.38	1110.86	1204.37	1195.36
FT-SE 100	2205.6	2201.8	2378.5	2353.9

	Nov. High	Nov. Low
Ordinary	1805.8 (30th)	1731.3 (2nd)
All-Share	1138.67 (30th)	1085.73 (2nd)
FT-SE 100	2276.8 (30th)	2154.1 (2nd)

UK COMPANY NEWS

The getting of wisdom from Pearl

Patrick Cockburn on the UK insurance market since AMP's coup



DOES THE takeover of Pearl Group by Australian Mutual Provident mean open season for foreign buyers looking at the rest of the British insurance industry?

Within 24 hours of AMP's victory the signs were ominous. Generali of Italy had bought into Guardian Royal Exchange and Athena, the French insurance group, had raised its stake in Refuge group.

The ease of the Pearl takeover has underlined as never before the vulnerability of UK composite and life companies compared to the rest of Europe.

As the major European insurance companies look beyond their own frontiers in the lead-up to 1992, the UK companies are the most obvious target. This gives particular significance to the way AMP took over Pearl. Could the British company have defended itself better or was the Australian victory inevitable?

This is of more than historic interest since other British insurers may soon find themselves in the same position.

In the aftermath of defeat Pearl's defence obviously looks inadequate, but from the beginning its moves to counter AMP were tardy. To have real impact the main plank of Pearl's defence – that both the market and AMP's bid seriously undervalued the UK life company – needed to be produced early.

By the time the 765p-per-share appraisal value was unveiled on November 14 it was probably already too late to change shareholders' minds about Pearl's value, all the more so when AMP raised its bid to 690p a share two days later.

Last-minute assertions about the company's embedded value sounded too much like actuarial mumbo jumbo.

DIRECTORS OF Australian Mutual Provident and Pearl Group yesterday began preliminary discussions as the £1.24bn takeover offer for the UK insurance company was declared unconditional, writes Ray Bashford.

AMP, Australia's biggest insurance group, won control of Pearl on Tuesday when it launched a second market raid and boosted its holding to 55.3 per cent of the capital. Pearl is writing to shareholders advising them to accept the 690p-per-share offer.

Mr Einion Holland, chairman of Pearl, said that the talks with AMP had begun so as to ensure that the interests and expectations of policyholders were secure. "They [AMP executives] have told me that it is their intention to expand Pearl by developing its business," he said. "The expansion envisaged for Pearl should, I believe, enhance opportunities for Pearl's management and staff," he added.

"Pearl is run by actuaries and they did everything that actuaries usually do," says Mr Tom Bennett, insurance analyst at Paribas. There is retrospective wisdom here but it is still surprising that Pearl did not ready its appraisal value soon after AMP raised its stake in Pearl to 18 per cent in June.

How relevant, in any case, was Pearl's appraisal value to the outcome of its struggle with AMP?

Accepting that the nature and value of the future business of a life company is different from other companies, the calculation is still subjective and looked all the more so compared to AMP's hard cash.

With so many other financial institutions moving into life insurance, the past performance of companies such Pearl is not necessarily a true guide to future performance in the 1990s.

By lifting its final dividend 67 per cent more than the previous year, Pearl also underlined how little it had done prior to the bid to convince shareholders that it was worth more than the market said.

Pearl was also clearly hampered in its defence by its reputation as a sleepy life company where its potential might be better realised by an AMP-appointed management.

Much of this criticism was unfair or, at least showed exaggerated expectations of what can be expected from the UK's quoted home service insurers.

A life insurer like Pearl with its 6,000 door-to-door salesmen cannot quickly improve efficiency as Prudential Assurance has discovered over the past six years. And at times Pearl's lack of adventurism turned out to be beneficial. The sales force did sell 120,000 personal pension policies in six months this year but it remains doubtful that AMP will able to make any radical changes for the better at Pearl.

This is small comfort for Refuge Group, Britannic Assurance and London & Manchester, the three other home service insurers, also seen as being under threat. They are better protected by cross-shareholdings than Pearl, but recent realignments within the European insurance industry – such as the purchase of Colonia Versicherung by Groupe Victoire – are typified by the very high prices paid rather than any obvious benefits in efficiency.

Even the link-up last week between Compagnie Financière de Suez and Baltica Holdings of Denmark, creating Europe's second largest insurance grouping, looks as likely to create a messy conglomerate rather than any real cross-marketing of financial products.

The lack of any real financial logic behind AMP's bid for Pearl or Groupe Victoire's takeover of Colonia makes the degree of threat faced by the rest of the British insurance industry difficult to predict.

British composites are cheap and a growing proportion of UK savings are going into life products but the real momentum for change in European insurance companies is more to do with the impulse to grow larger than any economies of scale they may obtain.

Osborne & Little falls back to £730,000

THE RECESSION in the UK housing market hit Osborne & Little, wallpaper and furnishing fabrics manufacturer, in the half year ended September 30 1989, with pre-tax profits falling from £967,000 to £730,000.

And it was "difficult to be other than cautious" about second half trading, said Sir Peter Osborne, chairman. But he believed that development within the group provided excellent opportunities for the future.

Turnover moved up from £5.72m to £6.47m. Within that, UK trade sales fell 6.5 per cent and retail in the UK fell 26 per cent – that was also affected by the closure of a showroom. Retail, on which gross margins are higher, accounted for only 7 per cent of the total, against 12 per cent last time.

Overall margins in the UK improved slightly but higher operating costs were incurred principally in strengthening management, and in additional promotions.

In the US sales were 33 per cent higher in dollar terms (46 per cent in sterling). Fardis, the July French acquisition, had turnover of £798,000, and sales to other European countries were up 13 per cent.

Earnings were 6.57p (8.83p) and the interim dividend is again 2p.

Sims Foods expands

Sims Foods has acquired DW Norbury (Holdings), a Manchester-based catering meats business, for £375,000 via the issue of 136,364 new shares. Additional consideration, to a maximum of £1.2m, depends on turnover in the 12 months following completion.

Sharp rise by US operations lifts Erskine House to £7.6m

By Andrew Hill

MORE THAN half of Erskine House Group's operating profits now come from US operations, following rapid expansion which helped push interim pre-tax profits at the distributor of facsimile and photocopier machines up by 58 per cent to £7.62m.

The US contributed £8.05m (£2.52m) of operating profits, with Europe making up the balance to £11.4m (£5.48m). Operating margins in the US at 13.5 per cent are more than double the European figure of 6.1 per cent.

The first six months to September 30 saw group operating margins improved from 9.6 per cent to 10 per cent.

This year Erskine is integrating some £90m worth of acquisitions made in 1988-89, the principal reason why group turnover doubled to £114m (£57.3m) in the first half.

However, there was a large increase in interest charges – from £640,000 to £3.75m – reflecting borrowings which rose to 60 per cent of shareholders' funds following last year's heavy acquisition programme.

Mr Brian McGillivray, chairman, said the group would continue to concentrate on organic growth. He added that the company had not detected any adverse effects of a possible recession in the copier or fax rental market.

"Our sales profile is very much in favour of inclusive contracts, with service built into lease agreements," he said yesterday. "That increases the proportion of profit which comes from service and the stability of revenue."

Earnings per share rose from 8.7p to 9.5p, held back by issues of new shares last year, and the company declared an interim dividend of 2.3p (1.9p).

● **COMMENT**

Erskine House's shares have had a rough ride since May when they stood at 242p. Yesterday saw a token rise from 168p to 175p, but the shares still look inexplicably low on a prospective p/e of less than 7, assuming pre-tax profits of about £20m or £21m in the full year. These figures were ahead of expectations, so the unfavourable rating has to be attributed to other factors. Interest cover of 3 is as low as Mr McGillivray wants to go, but some still cite the group's gearing as a negative point. Others believe Erskine's acquisitive streak last year is now counting against it, but then consolidation of the new companies seems to have reaped benefits in most cases during the first half. In addition, Erskine is not intending to borrow any more cash for acquisitions – nor will the group issue more paper. Perhaps more relevant is the current unpopularity of small company stocks. If investors can endure that shadow over the company, they should hang on.

Expansion costs hit Plysu

By John Ridding

PLYSU, maker of plastic containers and housewares, yesterday announced a 27 per cent fall in pre-tax profits, from £3.65m to £2.65m, for the 28 weeks to October 13 1989. Its shares declined 4p to close at 198p.

Mr James Summerlin, chairman, said the fall reflected the coincidence of the group's expansion plan with a downturn in consumer expenditure.

"The present level of consumer business has led to the growth in demand falling short of the forecasts on which our factory expansion of the past three years was based", he said.

Group turnover for the period was ahead at £31.14m (£28.59m) but higher costs associated with the increased capacity and a rise in interest charges from £357,000 to £800,000 prompted the fall at the pre-tax level.

Earnings per share fell from 5.9p to 4p hut the interim dividend is raised from 0.8p to 1p.

Mr Summerlin said the housewares division, which represented about 20 per cent of sales and which was almost entirely consumer oriented, was "very badly hit", as were the consumer prodncts included in the core container division.

However, the majority of the container division's prodncts were sold to industrial customers and Plysu said there was "no noticeable decline" in this area.

The group's advanced multilayer capacity was not economically utilised because of the unexpectedly low demand from the agrochemical industry. He said the company had underestimated the time required for the acceptance of the new products hut was confident about their prospects.

THE PROPERTY MARKET

Business parks: here to stay

By Paul Cheeseright

BUSINESS parks have had a good run. They have established their competitive position in the office market to such effect that developers' enthusiasm to construct them is posing problems, at least in some areas, of potential over-supply.

To some extent the developers have been lucky. The whole market was given a new impetus by the 1987 changes in the Use Classes Order – eliminating the difference between light indnstrial, office and research and development use. That in itself made easier the planning process for campus office developments at a time when the office market was strong.

Business parks had tended to be mixed developments, catering for light industrial and warehouse use. But they had in common low density development, mainly low rise buildings in a landscaped area. From 1987 the office content started quickly to rise. Indeed, around 70 per cent of those using business parks primarily for offices moved in over the last three years.

But now the business climate is changing and, in a new report on business parks, St Quentin, chartered surveyor, is cautious about the immediate future for three reasons.

First, "with the UK economy now at best facing a short term slowdown, and possibly more moderate growth into the medium term, it is questionable whether recent rates of office take-up will be sustained into the early 1990s."

Second, St Quentin observed that in its survey of 220 office occupiers throughout southern England, one in three are facing staffing difficulties. But it is in precisely the counties which have the largest business park supply lines that the staffing problem is the most acute – Berkshire, Hampshire, Hertfordshire and Oxfordshire.

Given that the prime reason for moving offices, to a business park or, indeed, another town centre location, is expansion, there is an obvious deterrent to movement if it brings staffing problems in its wake.

Third, many office users use cars. One objective of business parks is to provide a green working atmosphere with plenty of space and lots of car-parking. But road traffic is increasing. "Some business park locations in the south east, designed to be an antidote to the traffic problems and inadequate carparking of town centres, may well find themselves caught by the spreading tide of congestion on the region's roads in the 1990s," said St Quentin.

These factors may confuse the competitive position of one business park against another and affect the thinking of potential occupiers on the merits of business parks in relation to town centre locations. But what is certain is that business park development is part of the wider process of satisfying the changing needs of the office user, of re-tooling the office sector. Business parks are here to stay.

Applied Property Research has calculated that by the and of last September there was 57.5m square feet of business park floorspace completed, roughly equivalent to more than three-quarters of the City of London's office stock. A further 68.6m square feet is in the pipelines of existing schemes. And there is another 179.1m square feet either proposed, in the planning process or with planning consent bnt not under construction; much of this, of course, will not be built.

Although the greater part of this potential supply is outside the south east of England, this region has dominated development so far. The south east contains nearly two thirds of existing space or space under construction.

As the stock of business parks has increased, the diversity of users has spread. Originally favoured by high technology companies, business parks are now being used by the financial sector, becoming favoured headquarter sites.

Just as the nature of town centre offices has changed to accommodate electronic equipment and growing expectations of better working conditions surrounded by amenities like shops, so business parks have evolved.

"As the potential snpply pipelines grow, business park schemes are tending to increase in size, to include more office provision and a wider range of supporting amenities," said St Quentin. What is not suitable, if business parks are to lure occupiers away from town centres is a couple of windswept buildings dumped in the countryside and nothing else.

Studio Land, the Houston land planners, has recently completed for Nomura Securities, a survey in Europe and the US to establish what are the desired amenities. It found that, in this order, landscaping and environment, retail availability, prestigious design and transportation headed the list. But high on the list of demands were recreational and fitness facilities in the building and adequate parking.

"Service industries are going up in terms of working hours per week," said David Smith, principal of Studio Land. "Hence the need for retail facilities and recreational facilities. We're seeing a transformation of the workplace to cope. So you need larger projects to justify the increased amount of recreational facilities."

Yet it is difficult to imagine office users chasing round the country to see which business park has the best gymnasium. On the contrary, office occupiers are very conservative about where they work. If they move they tend not to move far.

Jones Lang Wootton, in its regular surveys of office users in southern England, has found little desire to shift away from areas where they are well-established.

Financial and business service companies are for the most part wedded to town centres. Weatherall Green & Smith in a survey of City of London office users found that over a quarter of them were dissatisfied with their premises. But the City remained the preferred location for 70 per cent. By contrast, manufacturing and distribution companies tended to be more footloose.

St Quentin's work ties in with this. Looking at companies which had shifted since 1981, it observed that "for a majority, the area of location search had been relatively restricted in geographical terms. Forty five per cent had looked for new premises only within the town or locality in which they were presently located. A further 30 per cent had extended their location search to other nearby towns. Only one in four occupiers had considered other areas of southern England or elsewhere in the UK."

But there appeared to be a greater degree of flexibility when it came to considering the type of accommodation. Four out of 10 occupiers had considered both town centre and out-of-town locations. But a majority of both town centre office users and of business park users preferred the sort of location in which they were already present.

So, while there does not appear to be a rush out of towns and into business parks there is a degree of looseness in the market. And, in this looseness, cost does not appear to be the predominant factor. It assumes a greater importance only among companies contemplating movement out of central London. Outside London the cost differentials between business park and town centre developments are not huge.

The future of business parks, then, is tied in with other factors. If they are to take a share of the market previously enjoyed by town centres then it is clear that they will have to ensure facilities for those who do not travel everywhere by car. They will have to be commercial villages.

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TOTAL RETURNS (%)

	Retail	Office	Industrial	All Property
Year to October 89	12.7	25.6	33.1	20.9
Quarter to October 89	2.1	4.1	7.0	5.8
Month of October 89	0.4	1.0	1.4	0.9

Source: Investment Property Databank

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THE KYOWA BANK, LTD.

Notice to the Holders of
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U.S.$100,000,000
1¾ per cent.
Convertible Bonds
Due 2002 (The "Bonds")

Pursuant to the resolutions of the Board of Directors of The Kyowa Bank, Ltd. (the "Bank") adopted at a meeting held on 24th November, 1989, the Bank will issue shares of common stock by public offering in Japan. In this connection adjustments to the conversion price may be necessary, pursuant to condition 5(c) (v) of the Terms and Conditions of the Bonds, depending on the closing price of shares of common stock of the Bank based on which consideration per share to be issued on conversion of the Convertible Bonds, and consideration per share of the shares of common stock, resolved to be issued as stated above are determined.

Notice is hereby given pursuant to Condition 5(c) (xi) of the Terms and Conditions of the Bonds and clause 7(E) of the Trust Deed dated 24th August, 1987 between the Bank and Bankers Trustee Company Limited, as follows:
1) present Conversion price: JYEN1,381 per share.
2) Issue of [illegible] shares of common stock of the Bank.
a) Date of issue: 20th December, 1989
b) Date of Adjustment (if necessary): 20th December, 1989
c) Conversion price after Adjustments: Not known at least by 18th December, 1989.

The Kyowa Bank, Ltd., London Branch
as principal paying Agent

LEGAL NOTICES

NOTICE of resolution for payment of capital

BEE-RITE TIMBER LIMITED

NOTICE is hereby given in accordance with section 175 of the Companies Act 1985 that:

1. the above named company ("the Company") has approved a payment out of capital for the purpose of acquiring its own shares by purchase
2. the amount of the permissible capital payment for the shares in question is £93,000
3. the date of the resolution for payment out of capital is 18th December 1989
4. a statutory declaration and auditor's report required by section 173 of the Companies Act 1985 are available for inspection at the Company's registered office, and
6. any creditor of the Company may at any time within the five weeks immediately following the date of the resolution for payment out of capital apply to the Court under section 176 of the Companies Act 1985 for an order prohibiting the payment.

Dated 10th November 1989

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ART GALLERIES

LEGER, 13 Old Bond St., W1, JULIAN BARROW, Recent Paintings, Mon-Fri. 9.30 - 5.30.

Wassall offers £42.2m for MCG

By Andrew Hill

WASSALL, the would-be industrial conglomerate headed by ex-Hanson executives, yesterday launched its first hostile bid, offering £42.2m in cash and shares for Metal Closures Group, a packaging and printing company.

Birmingham-based MCG promptly rejected the bid, which it described as "opportunistic, derisory and totally unacceptable."

Suter, the industrial holding company headed by Mr David Abell, has already agreed to accept the cash alternative of 160p a share for its 29.96 per cent holding in MCG.

Mr Christopher Miller, Wassall's chief executive and a former associate director of Hanson, said Wassall had insisted that Suter take cash for its holding.

"We felt it would not be appropriate to have a public company holding a large stake in Wassall," he said yesterday.

The main bid is two Wassall shares plus 170p in cash for every three MCG shares. Wassall's shares closed 10p down at 160p yesterday, valuing each

Christopher Miller: undeterred by the economic climate

MCG share at about 163p, just shy of the closing price of 165p, up 6p.

The group is also offering 86p in cash for each MCG preference share.

Wassall admitted that the offer — worth 170p a share at yesterday's opening prices — was not a large premium to the MCG share price, but said the value of MCG's shares had been pushed up artificially by bid speculation surrounding the Suter stake. "We expect to be able to win at this price," said Mr Miller.

If successful, the bid would nearly double the size of the conglomerate, which already operates an office furniture and travel goods division.

MCG's principal business is the manufacture of metal and plastic bottle-tops. It also makes plastic packaging and material handling systems, and is involved in pre-press services.

Mr Miller said Wassall had not been deterred from making the bid by the difficult economic climate.

"You don't have to be too clever to see that next year is going to be a tough year, even compared with 1989, but the improvements we anvisage don't depend on selling more bottle tops," he said yesterday.

Wassall criticised decreasing margins and "misguided acquisitions" at MCG, which reported a drop in interim profits, from £3.5m to £2.7m, in September.

Wassall would concentrate on improving margins and expanding the UK and European operations, reducing MCG's dependence on profits from its South African closures arm, said Mr Miller.

He added that Wassall did not yet know whether peripheral businesses, such as pre-press services or plastic packaging, would be sold off, a strategy often adopted by Hanson after successful bids.

"There is always the opportunity to improve margins and if you can't there is probably something which is saleable, but if there was a candidate for disposal we wouldn't go straight in and put it on the block," said Mr Miller yesterday.

Hanson, which owns a 13 per cent stake in Wassall, supports the bid, which would dilute its holding in the enlarged group to below 10 per cent. Hanson has held a stake since the current board restructured JW Wassall, a footwear retailer, in 1988.

Wassall is advised by Lazard Brothers and MCG by County NatWest.

Interest charges limit Mansfield Brewery's advance

MANSFIELD Brewery reported sustained progress in the 26 weeks to September 29, with taxable profits rising 16 per cent from £3.73m to £4.31m. The improvement was achieved despite finance charges £267,000 higher at £1.59m.

The improvement was also limited by a £21,000 loss on the disposal of properties, compared with a £98,000 surplus.

Mr Geoffrey Kent chairman of the east midlands, Humberside and South Yorkshire brewer, said the warm summer had provided a stimulus to beer sales. Volumes were in line with the comparable period, despite the sale of 21 public houses last year.

Take-home sales were significantly higher and the overall performance had also been helped by the introduction of a new brand.

For the current six months, given a reasonable level of Christmas trade, operating profits were expected to continue to improve. But Mr Kent warned that high interest costs would constrain the taxable result.

The increase in finance charges in the first half was due partly to higher interest rates, but mainly to the acceleration in capital spending. Action had been taken to mitigate the effects of current high interest rates.

Turnover for the period was £44.58m (£37.31m). After tax of £1.51m (£1.3m) earnings per share came out at 17.8p (15.4p).

The interim dividend is being raised from 2.25p to 3.4p as a consequence of the sustained improvement in results and also to pay a higher proportion of the dividend at this stage.

Lewis's owner lifts Goldberg stake above 5%

By Nikki Tait

FLETSAND, the private company which owns the Lewis's department stores, having bought them out from Sears for £74m last year, has taken its stake in the troubled Glasgow-based retail group, A Goldberg, over the 5 per cent level.

Fletsand disclosed yesterday that it acquired a further 250,000 shares — 1.46 per cent — on November 22. This takes its total interest to 5.06 per cent.

Yesterday, shares in Goldberg, which last autumn saw off an unwelcome bid from Blacks Leisure and has since announced a £4.6m pre-tax loss in the six months to September 28, gained 7p to 91p.

Mr James Fyfe, Fletsand's chairman, described the increased interest as "just a trade investment".

Fletsand first emerged as a shareholder during the bid, when the company said that it had held talks with Goldberg in the past about avenues of co-operation — including merging the businesses in some way.

Fletsand added that it would reopen talks if the Blacks bid lapsed.

Yesterday, however, Mr Fyfe said contact with Goldberg since the Blacks bid had been restricted to minor matters and that he had no plans to discuss anything more significant at the moment.

Goldberg said that it could offer no further insight into the reasons for Fletsand's latest share purchases.

£35m environment-based investment trust launched

By Eric Short, Pensions Correspondent

THE LAUNCH of the first ever ecology-based investment trust — the £35m Merlin International Green Investment Trust (Migit) — was announced yesterday.

Investors are being offered 7m units at 500p per unit, each unit comprising five ordinary shares plus one warrant.

Some 4.55m units have already been applied for, mainly from local authority and other pension schemes and various church and other charity funds.

The fund will be managed by Jupiter Tarbutt Merlin, a specialist in the ecological investment field, with probably the most extensive environmental research department among UK fund managers.

It manages around £450m for private and institutional clients, investment trusts and unit trusts, including the Merlin Jupiter Ecology Fund, a green unit trust with a current size of £7.5m.

Investment will be made internationally in environmentally and socially conscious companies, with emphasis on companies actively engaged in the environmental protection sector such as waste reduction and pollution control.

As is normal with ethical and green funds, the investments made will be monitored by an Environmental Advisory Committee to ensure they are consistent with Migit's investment philosophy.

The directors expect to recommend a total dividend for the accounting period to December 31 1990 of not less than 2.25p per share (gross yield of 3 per cent).

The offer closes at 10am on Thursday, December 14. Dealings in units are expected to commence on Thursday, December 21, with separate dealings in the ordinary shares and warrants on January 29.

The prospectus will be published in tommorrow's FT.

Marina Devs ahead to £2.8m

On a 54 per cent advance in earnings, Marina Developments is raising its interim dividend from 2p to 5p.

Turnover for the period, to September 30 1989, rose from £4.49m to £7.77m and pre-tax profit advanced from £1.69m to £2.8m. Earnings were 10.9p (7.1p).

Mr David Heimann, the chairman, said the results included a contribution from Dean & Dyball, acquired on July 10.

Storm heading for USM

By Vanessa Houlder

STORM GROUP, creator of the children's cartoon series 'The Shoe People' is joining the USM in a placing that values it at £12.5m.

It is the third cartoon company to join the market this year, following Poddington, which exploits the adventures of animated peas, and Sleepy Kids.

Storm Group's interests include films, licensing, design and publishing books and comics. It is also considering developing a theme park and touring theatre based on the Shoe People cartoon, a series describing the adventures of some discarded shoes left in a menders' shop.

It is now creating other cartoons such as 'Digswell and Daisy' a film about an American girl and her puppy.

Storm also manages the rights to other cartoons such as 'Budgie Malone and Owl Capone' and 'The Swiney', which feature in a comic called 'Wanted.'

Williams de Broe is placing 10.4m shares at 25p each, raising about £2.3m for the company. Dealings are expected to start on December 7. The company is forecasting pretax profits in 1990 of at least £400,000.

COMMODITIES AND AGRICULTURE

Bougainville mine to be held in state of readiness

By Kenneth Gooding, Mining Correspondent, in Perth

THE HUGE Bougainville copper and gold mine in Papua New Guinea, which has been out of action since May 15 because violent attacks by secessionist rebels, is to remain in its current state of readiness rather than be mothballed, the Bougainville Copper Board announced yesterday.

If Bougainville is moved to a "care and maintenance" basis the workforce would have to be reduced from 2,400 to about 350 at a cost of more than A$30m (£15m) in redundancy payments and the mine would need about six months to re-open once a decision to do so had been made.

Nevertheless, the Bougainville Board had been widely expected to make the move this week. Following a board meeting, however, it said yesterday that "while noting that serious incidents continue to occur on the island, the board supports the initiatives of the PNG Government and its efforts to resolve the crisis.

"Consistent with this the Board has decided that moving the mine to a care and maintenance basis immediately is not warranted."

It said it was discussing with its major shareholders, CRA, with 53.6 per cent, and the PNG Government, with 20 per cent, "details of a financing facility which would enable the mine to continue in a state of readiness to produce, or alternatively, to move to care and maintenance if current efforts to resolve the crisis prove to be unsuccessful."

It is believed CRA and the PNG Government have tentatively agreed to inject the equivalent of US$45m to keep the mine in a state of readiness. This would be repayable once positive cash flow was re-established.

Bougainville, which in a normal year produces about 180,000 tonnes of copper and 500,000 troy ounces of gold, in 1989 produced only 79,000 tonnes of copper and 236,000 ounces of gold.

The company has declared *force majeure* on export contracts but nearly half the work force has remained on site ready to restart operations.

Bougainville usually provides about 10 per cent of CRA's net profit but its current losses are estimated to be running at nearly A$2m a day.

The Australian Associated Press reported yesterday that Bougainville has started court action against four of its insurance companies seeking A$500m in compensation because of the shut-down. The insurers deny liability, however, and the case is set to be heard in the Victoria Supreme Court in February.

Brazil soya crop expected to fall 10%

By John Barham in Sao Paulo

BRAZIL'S SOYABEAN harvest is likely to decline by about 10 per cent next year, according to farm co-operatives in the south of the country. Last year Brazil produced 22m tonnes of soyabeans, making it the world's second largest producer after the US.

Analysts say the decline is due to low farm incomes, an overvalued currency and a sharp drop in farm loans. The result, they say, is falling yields and a reduction in the area planted with soyabeans.

Co-operatives in the state of Parana, the leading soya producing region, report that planting is virtually complete. But one cooperative official said: "the area planted with soya has fallen from 154,000 hectares to 145,000 ha. The weather is better this year, but we still expect yields to decline by about 20 per cent."

Farmers had hoped to profit heavily last year as the drought in the US midwest pushed prices up. Farmers delayed sales of their bumper crop for as long as possible. But prices fell, reducing their ability to finance this year's crop.

Farm credit is scarce and loans are adjusted for inflation by almost 2 per cent a day, making borrowing prohibitively expensive. Furthermore, the cash-strapped Federal Government, which buys wheat from farmers, has had to slow down payments, adding to hardship.

Wheat is an important winter crop. Mr Paulo Roberto, of a co-operative in the southern state of Rio Grande do Sul, the second biggest Brazilian soya producing region, said "farmers are spending less on fertilisers and pesticides, reducing yields. We expect national soyabean output to fall by about 10 per cent."

Australian wool agency to borrow A$500m

THE AUSTRALIAN Wool Corporation plans to borrow A$500m (£250m) to continue buying wool at near reserve price levels, said Mr Gary Richardson, the corporation's treasurer, reports Reuter from Sydney.

He said a domestic commercial paper facility was likely to be finalised next week. The issue will be arranged by Westpac Banking Corporation and the dealer panel will comprise Westpac and four other local banks.

He said the borrowing would be adequate to support AWC buying under its reserve price scheme until around March next year. The AWC's key market indicator average has been hovering 8 to 9 cents above the floor price for most of the 1989-90 season.

Gummer announces straw burning ban from 1992

By Bridget Bloom, Agriculture Correspondent

THE BRITISH Government is to ban straw burning by farmers, taking powers to do so in the new "Green" bill on the control of pollution which is to be published before the end of the year.

Announcing the ban yesterday, Mr John Gummer, the Minister of Agriculture, said that following the sometimes "disastrous results" of straw burning during this year's harvest he had decided to review fully the Government's policy.

The ban would become effective in the late autumn of 1992. This would give farmers three full seasons to adjust.

Mr Gummer said he was concerned to achieve a "proper balance" between the needs of those who lived in the country-side and the needs of farmers. He had *personally had 600 letters* calling for a ban.

Mr Gummer indicated that there could be limited exemptions from the ban, instancing linseed, which is difficult to dispose of by other methods. The controlled burning of moorland to prevent the spread of bracken would not be affected by the ban.

Yesterday an official of the National Farmers' Union regretted the Government's decision, which could only add to farmers' costs.

The NFU has suggested that straw burning should be licenced but yesterday Mr Gummer said he had rejected that alternative partly for legal reasons and because it would be less effective.

Spectre of drought looms again in US

By Nancy Dunne in Washington

US DEPARTMENT of Agriculture officials attending the Department's annual outlook conference this week in Washington have been confidently predicting a rebound in US wheat production. But out in the Midwest and Plains states, many farmers have been noticing an increasingly familiar phenomenon: no rain.

The shattering droughts of summer 1988 and last winter had been considered a closed chapter, one of those occasional interruptions in the succession of abundant harvests. Rainfall this summer was normal; the weather at harvest time was lovely – and dry. In many places it has stayed dry, so dry that the spectre of another drought, damaging the winter wheat crop, is not being dismissed.

The High Plains Climate Centre says groundwater levels are lower than last year. In the semi-arid areas of the Midwest and Northern States, the chances of recovery by spring are given considered less than one in ten.

Kansas, the largest wheat producing state, hard-hit last winter, is given 10 to 50 per cent chance of reaching full capacity. The National Weather Service says in some areas of Kansas rainfall has been less than 50 per cent of normal.

The danger is that wheat, in its weakened state, is vulnerable to winterkill. If it is not protected by significant snowfall, winter wheat production could once again falter.

The 1988-89 droughts pushed wheat supplies down by 11 per cent from last year. Production this year is estimated at 2.042bn bushels, up 13 per cent from last year but less than any other year this decade.

At the Outlook Conference, however, the analysts seem more worried about foreign competition than American weather. They expect the next year's reduced US acreage set-aside and strong prices are to encourage farmers to plant up to 5 per cent more acreage than last year, and they estimate that if yields rebound to near the 1983-87 average, the 1990 harvest could total close to 2.6bn bushels, the largest since 1984.

Meanwhile, the forecast for worldwide wheat production for 1989-90 is for a 5 per cent rise to a new record level. EC production is seen as a particular competitive threat.

Despite the introduction of a multi-year land set-aside schema, USDA economists expect little decline in the Community's wheat growing area over the next few years.

Trimming the fat off the land

Tim Dickson on New Zealand's subsidy-cutting Farm Minister

IF COLIN Moyle were Farm Minister of just about any European Community country at present, he would doubtless be impaled on the end of a pitch fork.

Colin Moyle: "NZ agriculture industry is now almost entirely market driven"

As Minister of Agriculture and Fisheries in New Zealand since 1984 he has been responsible for a programme of subsidy dismantlement so far-reaching that he was able to tell an audience in Brussels last week: "New Zealand's agriculture industry is now almost entirely market driven."

Citing Organisation of Economic Co-operation and Development (OECD) calculations that New Zealand's net percentage producer subsidy equivalent fell from 33 per cent in 1986 to only 8 per cent in 1988, Mr Moyle added proudly: "Our estimates show that the 1989 PSE has fallen to 5 per cent and that it will shortly be close to zero."

For purposes of comparison, he added pointedly, the corresponding figure for the US in 1988 was 34 per cent, for the EC 46 per cent and for Japan 74 per cent.

New Zealand's experience in economic deregulation has attracted widespread international attention – not least because of the passionate commitment to market liberalisation shown by a Labour Government. The programme has lately softened slightly at the edges – most notably with the departures of its two chief architects, Mr David Lange, the former Prime Minister, and Mr Roger Douglas, the former Finance Minister – but the sweeping away of farm subsidies over the last five years continues to stand as one of the most remarkable and (through western European eyes) unlikely achievements.

Small countries have small voices in tha superpower slanging match which is already characterising the final stage of the Uruguay Round of the General Agreement on Tariffs and Trade – but, as Mr Moyle implied last week, New Zealand can not only claim the moral high ground in the negotiations over reducing farm subsidies worldwide, it can point to practical lessons from which others should learn.

Mr Moyle insisted in his talk to the Centre for European Policy Studies in Brussels that agriculture in New Zealand "does not possess any miraculous blend of natural assets which make consideration of support unnecessary" – the country's farmers have compensated for distance from markets and "not especially fertile" pastoral land by developing a grassland technology "that is unexcelled."

The decision to get rid of subsidies, he admits, while part of an economy-wide programme of reforms, was driven largely by the realisation that New Zealand could no longer afford them. Agricultural spending, he explained, had gradually increased during the 1970s following Britain's entry into the Common Market and the first oil price shock, culminating in the *introduction of* supplementary minimum prices (most expensively for sheep), direct production incentives for sheep, subsidies on fertiliser and cheap credit. "The distortion of market signals to the farmars that resulted from the SMPs and other supports was as serious as the budgetary cost," noted Mr Moyle.

New Zealand's 60-year-old Agriculture Minister, who has already announced that he will not stand in his country's next general election, insists that farmers everywhere can be persuaded that protection is against their interests and, notwithstanding their sometimes bitter criticisms, pays tribute to New Zealand's agricultural leaders for "being able to see the wood from the trees."

In his talk to CEPS and to an earlier interview Mr Moyle stressed the *importance of deregulation* on all fronts. He admits that farmers had earlier felt they were being "singled out" for harsh treatment but claims there is much less of that sort of talk today. The *result of reforms in other sectors* - such as the lowering of costs on "the waterfront" and in transport generally – *has* been "substantially reduced costs for New Zealand farmers."

MR Moyle also defends the unrelenting speed at which tha reforms were introduced, including the painful combination of high interest rates and a high New *Zealand dollar which was fuel*ling the farm lobby's discontent 18 months to two years ago (interest rates have since fallen markedly). "If we had tried to do things in a piece-meal way it would have failed for the simple reason that people compensate. If we hadn't decontrolled interest rates many farmers would have borrowed more," he says, adding *that the* highly unpopular privatisation of the Rural Bank has actually increased the flow of funds to the farming sector as other lending institutions have come back into the market. "If you really want to turn round an economy *you can't* do it by leaving big holes unplugged."

Mr Moyle admits that the "much happier international situation" – better prices for New Zealand lamb, beef and butter – has come at an opportune moment and left the country considerably better off. He predicts an increase this year in beef production now that the strong incentives to rear sheep have been removed, although he also believes sheep prices will continue to improve.

On the Gatt negotiations, where New Zealand's views are expressed through the diverse Cairns Group of developed and developing nations, Mr Moyle agrees that "the US position (the so-called zero option, or progressive dismantlement of all subsidies) may represent the ideal; the question is whether you can *achieve* that ideal by sticking rigidly to it and not negotiating and compromising. That would be an unreal situation."

"Tha one cemanting factor (of the Cairns Gronp) is a determination to see progress on agricultural trade for the middle nations. There is a fair bit of position-taking going on and that is fairly normal, but I think there is a will to meet in the middle somewhere.

"I am well satisfied with the progress which has been made in terms of the move away from the increasingly protectionist attitudes of the past to a realisation of the inevitability of a reduction of supports in agriculture and a liberalisation of agricultural trade. It is a question of the management and speed of that change."

Credit squeeze hits Egyptian wheat supply

By Tony Walker in Cairo

EGYPT IS facing increasing *difficulties securing adequate* supplies of wheat and flour for its rapidly-growing population as credit for new pnrchases continues to be squeezed.

Agricultural experts are predicting possible shortages in tbe second quarter of 1990 unless Egypt moves quickly to sign naw agreements that would ensure that wheat shipments arrive in good time.

France, the country's second largest creditor, has adopted an unusually tough stance on new credit sales. Coface, the French credit agency, has refused to indemnify a shipment of 150,000 tonnes of wheat flour for Egypt unless Cairo meets its obligations on its $5.8bn French debt.

Egypt, with a population of 54m, is again facing an acute *foreign exchange crisis in its* efforts to service a crippling food import bill. The Egyptians are among the world's biggest importers of wheat and wheat flour. Imports this year total more than 6m tonnes.

Signs of a possibla global wheat sbortage in 1990, and indications that prices may rise further are adding to pressures on cash-starved Egypt whicb is grappling with an unmanageable $50bn foreign debt.

Earlier this month, Egypt and Australia agreed on shipments for 1990 of 1.5m tonnes, but the Anstralians drove a hard bargain. The Australian Wheat Board, which has been instructed by its Government to convert all sales to cash by 1992, won from the Egyptians *agreement* to pay 20 to 25 per cent "up-front" for new wheat shipments. Australia has reduced its credit terms from three years to two as part of its plan to phase out credit sales to Egypt.

Meanwhile, an Egyptian team led by Mr Galal Abu el Dahab, the Minister of Supply, is visiting Washington for talks on new wheat shipments for 1990. Egypt is striving for the best deal possible from the Americans in the expectation of a difficult year ahead.

The US sold Egypt about 2.5m tonnes of wheat and wbeat flour this year under a variety of credit programmes. *But US officials have made it* clear that it will be difficult to expand sales in 1990, partly because of a rundown in US stocks.

Australia, whose wheat harvest will be down markedly on last year because of bad weather, has also made it clear to Egypt that it is unlikely to be able to ship additional quantities beyond the 1.5m tonnes contracted for in 1990.

Egypt produces about 2.5m tonnes of wheat annually, but almost all of this is consumed by producers or sold on the black market. Government purchases of locally-produced wheat total 100,000 to 200,000 tonnes annually.

Egypt has storage capacity of about 2mn tonnes, but at a consumption rate of around 600,000 – 650,000 tonnes monthly, buffer stocks run down quickly.

WORLD COMMODITIES PRICES

LONDON MARKETS

NICKEL prices fall to fresh 21-month lows on the LME yesterday as the bear trend continued. Three-month metal shed $380 a tonne to $8,150 as the market headed down to the $8,000 a tonne level which many analysts have been predicting lately as demand from the stainless steel industry has faded. Tin prices recovered some of their recent losses on short-covering, profit-taking and the emergence of some end-user offtake attracted by the contract lows. On the bullion market gold recovered from an early fall to close off $2.25 at $410 an ounce in active trading. The firmer afternoon trend followed New York's lead and an easier dollar. The earlier breach of resistance at $408 also helped to inspire buying. Cocoa prices edged ahead, as consumer interest emerged in the afternoon.

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.95-6.00z	+0.25
Brent Blend	$18.40-8.45z	+.375
W.T.I. (1 pm est)	$19.65-9.70z	+0.45
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$187-189	
Gas Oil	$193-194	+4
Heavy Fuel Oil	$106-107	+2
Naphtha	$157-159	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$410.00	-2.25
Silver (per troy oz)♣	565c	
Platinum (per troy oz)	$509.05	-6.00
Palladium (per troy oz)	$139.15	+0.40
Aluminium (free market)	$1715	-20
Copper (US Producer)	116¾-118c	+2
Lead (US Producer)	39.5c	+0.5
Nickel (free market)	410c	-16
Tin (Kuala Lumpur market)	17.51r	+0.01
Tin (New York)	298.5c	
Zinc (US Prime Western)	73¼c	
Cattle (live weight)†	114.10p	-0.63*
Sheep (dead weight)†	205.29p	-2.10*
Pigs (live weight)†	91.67p	-1.45*
London daily sugar (raw)	$345.6x	-7.0
London daily sugar (white)	$364.0x	-5.0
Tate and Lyle export price	£335.5	-6.5
Barley (English feed)	£115.0	-1.0
Maize (US No. 3 yellow)	£129.0	+0.25
Wheat (US Dark Northern)	£130.0v	
Rubber (spot)♥	60.50p	-1.00
Rubber (Jan)♥	60.00p	-1.00
Rubber (Feb)♥	60.00p	-1.00
Rubber (KL RSS No 1 Dec)	224.5m	-1.0
Coconut oil (Philippines)§	$430.0x	-2.5
Palm Oil (Malaysian)§	$290z	
Copra (Philippines)§	$265w	
Soyabeans (US)	£172.5	-0.5
Cotton "A" index	79.05c	-0.00
Wooltops (64s Super)	576p	-4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Mar. v-Nov/Dec w-Dec. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	655	647	653	644
Mar	656	645	658	645
May	668	656	669	658
Jul	680	671	681	670
Sep	695	687	695	686
Dec	716	710	720	710
Mar	739	728	737	730

Turnover: 6882 (7456) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 30 761.99 (747.57): 10 day average for Dec 1 763.16 (768.27)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Nov	682	685	683	668
Jan	678	682	683	674
Mar	682	682	684	675
May	701	700	701	693
Jul	720	725	720	713
Sep	740	739	740	733
Nov	758	756	755	752

Turnover: 4519 (3155) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 29: Comp. daily 61.34 (61.33). 15 day average 62.11 (62.20)

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Dec	300.00	307.40	305.00	300.00
Mar	313.60	312.20	314.60	309.20
May	312.20	310.20	312.40	308.00
Aug	307.00	305.00	307.00	303.20
Oct	299.60	297.20	300.00	297.00
Dec	296.00	296.00	261.00	
Mar	283.40	285.00	283.00	
White	Close	Previous	High/Low	
Mar	388.00	385.00	385.00	382.80
May	391.00	393.00	389.00	387.00
Aug	389.00	399.00	398.00	397.00
Oct	369.00	370.00	369.50	368.20
Dec	358.00	296.00	356.50	356.50
Mar	355.00	356.00	357.00	354.00
May	356.00		355.00	354.50

Turnover: Raw 8033 (8001) lots of 50 tonnes. White 1620 (1366)
Paris- White (FFr per tonne): Mar 2360, May 2390, Aug 2475, Oct 2310, Dec 2230, Mar 2230.

CRUDE OIL – IPE			$/barrel	
	Close	Previous	High/Low	
Jan	18.49	16.08	18.00	19.24
Feb	18.23	17.87	18.23	18.04
Mar	17.97	17.70	17.97	17.84
IPE Index	16.17	18.21		

Turnover: 10348 (11174)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Dec	190.00	185.00	190.25	186.50
Jan	185.00	179.00	185.00	180.50
Feb	178.75	173.00	178.75	174.00
Mar	171.00	167.25	171.25	168.75
Apr	165.50	161.60	166.00	164.50
May	160.00	157.75	161.00	156.00
Jul	158.75	154.60	158.50	158.75

Turnover 12940 (8750) lots of 100 tonnes

FRUIT AND VEGETABLES
The Spanish dock strike is over so Satsumas at 30-40p a lb (40-50p), and Clementines, 35-55p (40-60p) are plentiful and excellent value, reports FFVIB. Apples are still a best buy with Cox's at 28-45p (28-45p), French Golden Delicious at 28-45p (35-45p), Washington Red Delicious and British Columbian at 40-60p (40-60p). There is an abundance of top quality mushrooms available- buttons at 60-75p a ½lb, cups at 40-65p and open/flat at 35-55p; all unchanged from last week. Cucumbers are a good buy at 40-65p each (50-60p), the decrease in price is due to a rise in the number of cucumbers being imported.

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)				
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover 14,250 tonne
Cash	1714-6	1733-6		1715-6		
3 months	1709-10	1722-4	1717/1705	1710-1	1707-8	33,242 lots
Copper, Grade A (£ per tonne)					Ring turnover 26,175 tonne
Cash	1582-4	1609-10	1587/1586	1585.5-6.5		
3 months	1599-600	1623-4	1623/1597	1604-5	1601-2	75,578 lots
Lead (£ per tonne)					Ring turnover 6,200 tonne
Cash	422-3	426-7	420	420-1		
3 months	422-3	425.5-6	425.5/420	426-1	420-1	11,461 lots
Nickel ($ per tonne)					Ring turnover 1,410 tonne
Cash	8600-700	9150-200	8650/8650	8630-40		
3 months	8100-200	8510-50	8450/8125	8270-80	8125-35	7,346 lots
Tin ($ per tonne)					Ring turnover 985 tonne
Cash	6620-60	6430-50		6710-30		
3 months	6740-60	6570-5	6680/6740	6640-5	6780-90	5,406 lots
Zinc, Special High Grade ($ per tonne)					Ring turnover 7,750 tonne
Cash	1410-5	1410-5	1417/1415	1415-7		
3 months	1355-60	1360-5	1362/1355	1360-2	1355-60	16,179 lots
Zinc ($ per tonne)					Ring turnover 1,450 tonne
Cash	1365-85	1360-5	1405	1405-10		
3 months	1330-40	1330-40		1335-45	1330-40	18,540 lots

LME Closing £/$ rate: SPOT: 1.5695 3 months: 1.5446 6 months: 1.5243 9 months: 1.5029

POTATOES – BFE			£/tonne	
	Close	Previous	High/Low	
Apr	212.4	213.5	213.5	211.1
May	237.7	238.5	237.5	

Turnover 146 (415) lots of 40 tonnes.

SOYABEAN MEAL – BFE			£/tonne	
	Close	Previous	High/Low	
Feb	147.00	146.00	147.00	146.00
Apr	144.00	144.00	144.00	143.50

Turnover 117 (5) lots of 20 tonnes.

FREIGHT FUTURES – BFE			$10/index point	
	Close	Previous	High/Low	
Nov	1667	1666		
Dec	1625	1626	1628	1610
Jan	1635	1645	1658	1625
Apr	1654	1654	1667	1636
Jul	1390	1385	1396	1374
BFI	1653	1666		

Turnover 849 (556)

GRAINS – BFE			£/tonne	
Wheat	Close	Previous	High/Low	
Jan	114.50	114.00	114.90	114.20
Mar	117.70	117.00	118.30	117.50
May	120.80	121.10	121.50	120.80
Jun	122.50	122.50	122.90	122.40
Sep	105.15	106.15		
Nov	108.00	106.00	108.00	
Barley	Close	Previous	High/Low	
Jan	110.80	110.80	111.10	110.80
Mar	113.60	113.80		
May	115.35	115.45		

Turnover: Wheat 426 (223), Barley 51 (10).
Turnover lots of 100 tonnes.

PIGS – BFE		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Feb	110.5	110.0	
Apr	111.0	110.8	110.0
Jun	111.5	111.0	

Turnover 5 (10) lots of 3,250 kg

LONDON BULLION MARKET		
Gold (fine oz)	$ price	£ equivalent
Close	409¾-410¼	260¾-261¼
Opening	405¾-406¼	259¼-260¼
Morning fix	408.80	259.358
Afternoon fix	408.15	260.250
Day's high	409¾-410¼	
Day's low	405½-406	
Coins	**$ price**	**£ equivalent**
Mapleleaf	419-424	266½-269½
Britannia	419-424	266½-269½
US Eagle	419-424	266½-269½
Angel	419-424	266½-269½
Krugerrand	409-412	260-262
New Sov.	97-99	61¾-62¾
Old Sov.	97-99	61¾-62¾
Noble Plat	515.15-523.30	326.65-333.85
Silver fix	**p/fine oz**	**US cts equiv**
Spot	354.95	556.60
3 months	368.35	568.35
6 months	381.35	579.25
12 months	405.10	601.20

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
1600	126	128	6	26
1700	53	69	31	64
1800	15	32	92	124
Copper (Grade A)	Calls		Puts	
2400	120	136	27	82
2500	62	89	66	132
2600	26	55	131	196
Coffee	Jan	Mar	Jan	Mar
650	37	67	0	26
700	12	39	34	62
750	2	14	74	83
Cocoa	Mar	May	Mar	May
600	71	00	15	10
650	40	55	34	38
700	21	33	65	86
Brent Crude	Jan	Feb	Jan	Feb
1800	54	57	5	36
1850	16	31	10	60
1900	5	15		

US MARKETS

Short covering rallied all of the metals, erasing losses made earlier in the week, reports Drexel Burnham Lambert. Gold and silver markets were *the most active. Copper trading was* slow but closed higher on some technical buying late in the day. In the softs, sugar closed near unchanged levels after a very choppy day. Cocoa was higher due to some commission house and fund short covering March cocoa gained 14 closing at 939. Price-fix buying kept the coffee market strong. In the grains, corn and soymeal markets were higher reflecting some Russian buying. Spillover buying helped firm tha rest of the soy complex. Wheat prices slipped on some long liquidation from first notice day. Cotton had two-sided action dominated buy the local traders. The livestocks featured another limit down move in the pork bellies. Lower cash prices and sell stops weakened the markets. Live hogs and cattle closed mixed in lighter volume. Crude, heating oil and gasoline all rose sharply adding to Tuesdays gains.

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Dec	411.6	409.5	412.9	406.0
Jan	414.8	412.8	0	0
Feb	417.5	415.5	419.0	412.0
Apr	422.8	420.6	424.1	416.7
Jun	427.6	426.5	429.0	421.7
Aug	432.3	430.1	430.5	427.9
Oct	437.2	434.9		p
Dec	442.3	439.8	443.8	436.0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	514.6	513.2	519.0	511.1
Apr	520.0	518.7	524.0	517.0
Jul	526.3	526.2	530.5	526.0
Oct	533.8	532.7	536.0	531.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Dec	566.8	560.0	573.0	565.0
Jan	570.3	564.1	571.5	571.5
Mar	579.5	573.3	586.5	569.0
May	587.6	581.4	594.0	576.0
Jul	595.7	589.6	603.0	587.0
Sep	603.9	597.9	609.0	602.5

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov 30	Nov 29	mnth ago	yr ago
	1825.8	1828.0	1851.3	1863.0
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov 29	Nov 28	mnth ago	yr ago
Spot	129.22	128.66	128.84	135.76
Futures	130.65	131.11	128.63	138.72

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	111.30	111.50	111.30	111.30
Jan	110.10	110.00	110.00	109.70
Feb	109.40	109.00	109.00	109.00
Mar	108.40	107.90	108.50	106.85
Apr	107.65	107.25	107.60	107.60
May	106.80	106.80	106.80	106.50
Jun	106.20	105.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	19.77	18.33	19.80	19.48
Feb	19.56	19.10	19.68	19.23
Apr	19.20	18.76	19.21	18.83
May	19.10	18.65	19.08	18.77
Jul	18.80	18.40	18.80	18.38
Aug	18.57	18.32	18.60	18.35
Sep	18.51	18.20	18.52	18.36
Oct	18.44	18.14	18.44	18.20

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	6280	6030	6280	6080
Jan	6175	5875	6204	6050
Mar	5690	5540	5695	5595
Apr	5405	5266	5415	5350
May	5245	6105	5245	5180
Jun	5140	4990	5140	5080
Jul	5100	4970	5100	5045

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	937	918	940	912
Mar	939	925	942	920
May	950	934	952	932
Jul	964	947	965	946
Sep	978	960	975	958
Dec	1002	981	1002	982
Mar	1016	1001	1016	1911

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	74.11	73.25	74.20	73.35
Mar	77.70	77.02	77.75	77.10
May	79.90	79.31	79.95	79.25
Jul	82.15	81.50	82.05	81.40
Sep	84.08	83.65	84.00	83.60
Dec	87.00	86.25	86.60	86.75
Mar	89.13	88.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	14.20	13.98	0	0
Mar	14.15	14.14	14.27	13.97
May	14.03	14.00	14.10	13.84
Jul	13.86	13.80	13.90	13.66
Oct	13.49	13.44	13.54	13.30
Mar	12.83	12.76	12.90	12.75

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	68.10	67.75	68.46	67.70
May	71.85	71.20	71.90	71.00
Jul	71.83	71.36	72.10	71.30
Oct	67.60	67.00	67.00	67.10
Dec	65.54	64.70	65.60	64.85

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jan	129.00	129.40	129.60	128.30
Mar	127.40	127.50	127.50	126.75
May	126.90	127.40	127.00	126.70
Jul	126.45	127.80	127.00	126.45
Sep	126.00	128.00	126.25	126.25

LONDON STOCK EXCHANGE

Far Eastern buyers boost equities

Account Dealing Dates			
First Dealings	Nov 13	Nov 27	Dec 11
Option Declarations	Nov 23	Dec 7	Dec 21
Last Dealings	Nov 24	Dec 8	Dec 22
Account Day	Dec 4	Dec 18	Jan 8

*New time dealings may take place from 9.00 am two business days earlier.

WELCOME SIGNS of Far Eastern buyers kept the UK stock market on its more optimistic trend yesterday. Although investment demand remained highly selective and overall turnover was still unexciting, the market pushed forward to close more than 20 FT-SE points higher at the best level of the day.

A steadier trend in sterling helped, as did the growing indications that Mrs Thatcher will survive without too much difficulty the threat within the Conservative Party to her political leadership. The search for good quality shares likely to outperform in a downturning economy shifted to the brewery sector which has reported good profit and dividend news this week.

Equities made a difficult start as the London markets reacted to the murder of Mr Alfred Herrhausen, chief executive of Deutsche Bank, who was in London earlier this week to launch the German bank's £950m purchase of Morgan Grenfell. Then shares prices moved ahead, slowly at first, and later more boldly as Japanese buyers were identified in brewery issues, and closed with a flourish.

The closing upswing featured activity in telecommunications stocks on hints that the German authorities are about to announce the award of the important second cellular licence franchise. Several of the UK telecommunications groups, including British Telecom and Racal, are included among the ten consortia seeking the German franchise which some London traders believe has gone to the Mannesmann consortium which includes Cable & Wireless.

The final reading showed the FT-SE Index at 2,276.6, a gain of 21.2 points. The Index was helped during the session by strong demand for the December contract on the Footsie future which closed at a 20 point premium, encouraging buying of the underlying blue chips. Seaq volume, still fairly thin for most of the day, increased in late dealings to bring a total of 425.4m, against Wednesday's 418.3m; still only just over half bull market levels.

Traders stressed that the gradual improvement in equities this week has caused a stock shortage among market-makers still unwilling to take on bull positions. This was particularly noticeable in breweries and food stocks which have been out of favour until the past few days and moved ahead strongly when buyers appeared yesterday. Domestic institutions, already unwilling to sell, have been encouraged by this week's favourable corporate trading statements.

The flow of large cash bids in the corporate sector, notably for Jaguar, Morgan Grenfell, Higgs & Hill and Pearl Assurance, has brought increased profit flows for the institutions which next month close trading books for the year.

Royal results disappoint

Profits from Royal Bank of Scotland were at the lower end of analysts' forecasts and the shares eased to close 8 off at 177p. There was also concern over loans to troubled furniture retailer, Lowndes Queensway.

The bank did not break down its detailed provisions and analysts had differing interpretations as to whether there was an element of Lowndes included. Mr Julian Robins at BZW also expressed doubts about the bank's policy of growth in the US. "Expanding retail banking seems out of step with some other banks," he said.

The figures seemed to cast a cloud over the rest of the retail banking sector. Barclays shed 2 to 542p, after 538p. Lloyds slipped 4 to 435p. Midland eased 2 to 365p while Natwest managed to recover from a loss of 4 to close unchanged at 339p.

Analysts were reminded in saying that the weakness was not a direct result of the Royal Bank figures. Instead, they pointed to the recent strength in the sector, which has climbed more than 16 per cent since the start of the month. By the same token, Abbey National, which had been left behind in this month's rise, climbed to a new high of 162½p.

BPB advance

A slowdown in the house-building industry pushed plasterboard manufacturer BPB Industries to lower its profits forecasts. But the shares moved higher, despite this the shares managed to shrug off early losses and closed 8 higher at 218p.

BPB's profits were at the lower end of market expectations and underlined the increase in competition in the plasterboard market. However, analysts were encouraged by the strategy BPB outlined at its results meeting to cut its cost base further. They said this would allow BPB to become more competitive on pricing.

The initial reaction of dealers was to mark BPB lower, though by the close it had staged a modest recovery, as buyers entered the market at the lower levels, encouraged by the rise in dividend to 6 from 3.75p. Dealers also said there was belief that BPB had been oversold. Mr Jeff Summers of Hoare Govett said further light would be shed on BPB's strategy when analysts visit its new plant in Scotland, West Germany, on Tuesday and Wednesday of next week. "Analysts may well have given BPB the benefit of the doubt until the visit," he said.

After the results a number of brokers downgraded their profit forecasts for this year. County NatWest now expect £140m this year, compared with £155m previously forecast. Next year they see £150m versus £165m. Hoare Govett lowered this year's estimate to £150m from £165m, and next year to £150m from £170m.

MEPC pleases

A strong 22 per cent rise in MEPC's final profits was at the upper end of expectations, though net asset value was in line with analysts' forecasts and accounted for the modest share price rise.

The £127.5m profits compared with £104.8m last year, while net asset value rose to 881p, from 737p. Mr John Atkins of UBS-Phillips & Drew said: "MEPC is rock solid and has modest gearing and is the only major property stock which we're giving a hold recommendation to. But its net asset value is unlikely to rise much beyond current levels by the end of this year."

Mr Atkins added that MEPC's portfolio contained property in the City of London and in the retail sector, both of which were likely to fall in value. City property values could fall by as much as 25 to 30 per cent, he said. He estimated MEPC's end-year net asset value at 890p, little changed from last year.

At BZW the analysts expect net asset value of 825p, up slightly from their previous forecast, though still at the lower end of expectations. Mr Chris Turner said the share price had discounted a drop in asset value and would limit any further fall. MEPC closed 3 higher at 508p.

Brewery leaders had a particularly good day, partly on a shortage of stock. There were buyers of Bass, 23 better at 1026p, and Allied Lyons, 12 up at 485p, ahead of xd dates on December 8 and December 11 respectively.

Grand Metropolitan added 6 at 555p in front of figures next week, while dealers were caught short of Guinness as a Japanese securities house bought the shares all day. Guinness touched 630½ before closing at 627p, still an improvement on the day of 23.

One exception to the firmness was Whitbread, where the "A" shares shed a penny to 377p.

Oil shares held firm, without joining to any great extent the late advance across the rest of the equity market. There was not much business in the blue chip leaders, where British Petroleum (307p) and Shell (447p) moved narrowly around. Also the currency markets for any reaction to the terrorist assassination of the head of Deutschbank in Germany, British Gas (210½p) turned in a similar performance. The downgradings by UBS Phillips & Drew continued to depress Ultramar at 325p.

Calor (418p) held steady as the shares recovered from last week's disappointment with the interim trading and dividend statement. The shares are helped by hints that SHV, the Dutch holder of a 44 per cent stake, may use Calor as a bid vehicle in the UK market. The market's favourite for an SHV approach remained Burmah, although the shares made little move yesterday at 689p.

Also active again was Hardy at 178p, still benefiting from the recommendation from Kleinwort Benson, the UK merchant bank and equity market-maker.

Clyde Petroleum moved higher at first but closed off the top at 161p after a sizeable line of stock came on the market. There was a further recovery in Century Oil, finally at 136p as the market took a more positive view of the interim statement which initially depressed the stock; the dividend was held and traders hope that cost-cutting plans have improved the outlook for the group.

Electricals had one of their better days for a long while. Electrocomponents hardened 7 to 194p despite thin volume. The shares were said to have been lifted by favourable comment from BZW, which indicated it was one of the better stocks as the company is not exposed in the semiconductor industry.

There was excitement in the market about possible winners of the cellular telephone franchise for West Germany. The winner of the contract is not due to be named until December 12 but among those boosted by the talk was Racal Electronics which added 9 to 254p as more than 6m shares were traded. Mr Mike Styles at Smith New Court said: "The figures for the number of subscribers for Cellular telephones are ahead of budget. Also, Racal is part of a consortium in the running to win the second or third licence for the cellular network in West Germany."

Racal Telecom, which is 80 per cent owned by Racal, advanced on the speculation. The shares gained 8 to 407p. Also profiting from the same speculation was Cable & Wireless, which advanced 7 to 499p, while British Telecom crawled forward to 271p, a rise of 1½ for the same reason.

Cadbury Schweppes moved strongly ahead on revived speculation that it may be a bid target. However, analysts poured scorn on the suggestions and said it only took modest buying to push the share price higher, particularly when the rest of the market was rising. Cadbury's closed 15 higher at 354p, having traded 3.0m shares.

The pound's weakness against the Deutsche Mark helped push Unilever higher. Mr Julian Hardwick of BZW said: "Unilever is now at it highest level this year, partly on sterling but also on what appears to be US buying." He said Unilever looked cheap when compared with similar US stocks. Unilever closed 10 higher at 689p. The stores sector showed small gains as a few buyers chased even fewer stocks. Marks and Spencer, always a haven in uncertain times, added 5 at 200p.

Positive press comment on Body Shop boosted the shares another 25 to 497p. The stock is usually thinly traded and has a "green" tinge that has protected it so far from weakness in the retail sector both in terms of profits and share price.

News that Fletsand, had taken its stake in the troubled Glasgow-based retail group, A. Goldberg, past the 5 per cent level helped the latter firm 7 to 91p. Fletsand is a private private company which bought a chain of department stores from Sears last year. Lowndes Queensway, still in financial restructuring talks with its banks, trickled 1½ off to 8½p.

GKN continued to profit from Wednesday's news of a £17m-a-year contract to supply axles to IBC Vehicles of Luton. The company said the contract would be supported by a £15.5m investment programme at the plant and would lead to the creation of some 240 johs. The shares gained another 12 to 407p.

Costain were depressed after the company announced that the loss of production at its Pyro Williams Station mine in West Kentucky would cut profits by £8m, before taking account of likely recoveries under its insurance policies.

After the news, analysts cut their profit forecasts. County NatWest now expect £70m compared with £82.5m previously, and next year County sees £100m versus £110m. Hoare Govett also expect £70m against £92m this year, bnt £105m compared with £112m next year. Costain ended 8 lower at 258p.

RMC advanced as modest buying came at a time of stock shortage and created a bear squeeze. "It doesn't take much turnover to get the market going these days," one dealer said. RMC closed 12 higher at 641p. Hepworth rose 6 to 252p, helped partly by a buy recommendation from Hoare Govett.

Maxwell Communications filed a registration statement with the Ministry of Finance in Japan relating to the proposed secondary offering in Japan of 30m existing Maxwell Communications shares. Maxwell rose 4 to 230p not least on the prospect of 5 per cent of the company's shares being suhtracted from the London market.

Shares in Erskine House, the office equipment distributor, rose as the company reported a 58 per cent increase in midtermprofits, better than the market expected. Profits advanced to £7.6m from £4.8m at the same time last year, while earnings per share rose to 9.5p from 8.7p. The interim dividend is 2.3p np from 1.9p. The shares closed at 175p, a day's gain of 7.

Metal Closures Gronp, the packaging and printing company, added 6 to 165p as Wassall, the industrial conglomerate, launched a hostile £43.9m bid. Metal Closures immediately rejected the bid, calling it "unsolicited and nnwelcome" and, in the board's view, "opportunistic, derisory, and totally unacceptable."

Further consideration of Wednesday's announcement of a truce between Savoy and Trusthouse Forte shed a rosier light on the benefits for the latter whose shares climbed 8 to 295p. Savoy "A" slipped 2 to 768p.

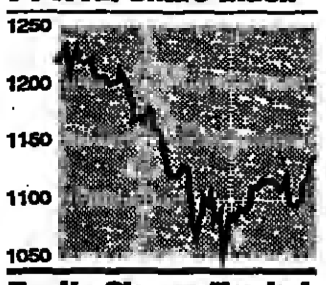
A profits warning from Michael Peters took its toll and the shares fell 12 to 53p, a two day decline of 20. Positive analysts' comment on Wednesday's figures from knitwear maker Dawson International – BZW, for example, upgraded the stock from a hold to a buy – helped the shares rise another 9 to 220p, 15 better over two days.

Trading in Nu-Swift, the fire extinguisher and office cleaning group, whose shares were suspended last July, resumed yesterday. The shares closed at 483p, 37 below its opening level.

Nu-Swift asked to have its listing temporarily suspended when it decided to sell its 88.5 per cent stake in Compagnie Centrale Sicli, a French fire and detection group. The Stock Exchange wanted to consider if the sale would effectively turn Nu-Swift into a "cash company" that would therefore not be entitled to a listing.

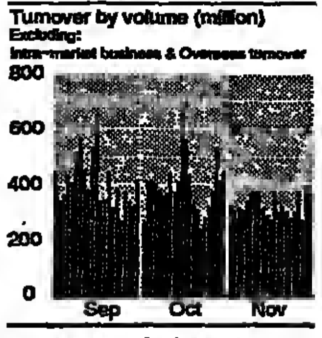
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1989

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FINANCIAL TIMES STOCK INDICES

	Nov 30	Nov 29	Nov 28	Nov 27	Nov 24	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	83.06	83.15	83.50	83.64	84.10	86.97	89.29 (8/2)	83.06 (30/11)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.38	92.39	92.52	92.58	92.80	97.10	99.59 (15/3)	92.38 (30/11)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1805.6	1781.7	1788.3	1753.2	1754.9	1450.2	2008.8 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	280.5	286.9	290.7	300.0	298.7	179.0	300.0 (27/11)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2276.6	2255.6	2242.0	2224.3	2222.4	1778.7	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.73	4.79	4.82	4.86	4.85	4.97				
Earning Yld %(full)	11.44	11.60	11.61	11.88	11.68	12.58				
P/E Ratio(Net)(☆)	10.56	10.41	10.41	10.35	10.36	9.59				
SEAQ Bargains(5pm)	25,241	25,139	24,418	22,918	29,956	20,702				
Equity Turnover(£m)†	-	959.90	1137.60	838.82	820.48	1006.29				
Equity Bargains†	-	25,922	24,736	23,178	30,024	21,534				
Shares Traded (ml)†	-	370.2	392.8	276.3	389.3	406.3				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55, Basis 1000 FT-SE 100 31/12/83 ☆ Nil 10.47

Ordinary Share Index, Hourly changes — Day's High 1805.9 — Day's Low 1778.3

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1778.8	1787.4	1786.8	1787.4	1792.0	1796.8	1802.1	1801.8

FT-SE, Hourly changes — Day's High 2276.8 — Day's Low 2251.6

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2252.9	2257.7	2255.6	2256.5	2262.2	2266.1	2272.5	2272.4

GILT EDGED ACTIVITY

Indices*	Nov 29	Nov 28
Gilt Edged Bargains	91.1	82.7
5-Day average	83.5	80.2

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	527	138		Courtaulds	1,400	364	+8	LASMO	642	548	+2	Saatchi & Saatchi	1,200	284	-11
Abbey National	8,100	162½	+4	Dalgety	171	380	+5	Lonrho	7,200	286	+6	Sainsbury	2,200	263	+4
Allied-Lyons	2,000	485	+12	Dixons	667	106	+1	Lucas	465	605	+21	Scott & Newcastle	796	359	+3½
Amstrad	3,000	39	-1	Eng. China Clays	336	483		MB Group	502	191	+6	Sears	2,800	105	-1
Argyll Group	1,800	208	+3	Enterprise Oil	523	633	+8	MEPC	1,500	508	+3	Sedgwick	2,100	300	+8
Ass. Brit. Foods	351	413	+6	Fisons	1,800	352	+2	Marks & Spencer	4,900	200	+5	Shell Transport	2,765	448	+4
BAA	1,800	377½	+11½	General Accident	321	1148	+13	Maxwell Comm.	541	230	+4	Siebe	312	455	+2
BAT Inds.	2,700	809	+12	General Elect.	6,700	215	+3	Mecca Leisure	43	147	-1	Slough Ests	504	308	+3
BET	501	268	+3	Glaxo	2,300	755	+2	Midland Bank	884	365	-2	Smith & Nephew	614	137½	+½
BICC	773	440	+11	Globe Inv.	387	172	+1½	NatWest Bank	2,700	339		SmithKline Beecham	2,400	572	+7½
BOC	975	308	+5	Glynwed Int.	2,700	249	-1	Next	3,400	89	-2½	Smiths Industries	48	270	+3
BPB Inds.	2,800	218	+8	Granada	835	312	+5	Northern Foods	481	302	+2	Standard Chartered	1,100	558	+4
BTR	1,100	433	+6	Grand Met.	3,400	555	+6	Pearl	5,800	685	-3	Storehouse	762	115	-2
Barclays	3,600	542	-2	GUS A	37	1068	+8	Pearson	241	716	+2	Sun Alliance	469	324	+7
Bass	869	1026	+23	GRE	3,000	246	+1	P & O	778	564		T&N	855	197	+5
Blue Circle	689	216	+3	GKN	1,300	465	+11	Pilkington	1,400	244	+2	TI Group	291	404	+9
Boots	1,600	272	+7	Guinness	3,300	627	+23	Polly Peck Intl.	973	374		TSB	3,000	120	
Brit. & Comm.	2,600	93	+2	Hammerson 'A'	191	777	+4	Prudential	4,600	217	+3	Tarmac	2,580	226	+7
Brit. Aerospace	300	523	+5	Hanson	6,200	227¼	-¼	RHM	467	411	+1	Tate & Lyle	1,100	277	-3
British Airways	2,300	207		Harrisons & Cros.	2,300	142	-2	RMC	952	641	+12	Taylor Woodrow	321	255	+1
British Gas	5,800	211	+1	Hawker Siddeley	291	634	+7	RTZ	798	542	+7	Tesco	2,050	100	+2
British Land	597	318	-5	Hillsdown Hldgs	2,800	284	+8	Racal	6,800	255	+10	THORN EMI	912	757	+8
BP	2,600	309½		IMI	689	199		Rank Org.	230	878	-2	Trafalgar House	1,200	342	+1
British Steel	5,900	126	+2	ICI	1,400	1122	+5	Reckitt & Colman	97	1216	+4	Trusthouse Forte	1,800	295	+8
British Telecom	2,800	271	+1½	Inchcape	483	776	+1	Redland	185	532	+6	Ultramar	3,400	325	-4
Burmah Oil	608	689	+3	Jaguar	266	805	+2	Reed International	778	416	+2	Unilever	2,210	689	+10
Burton	1,500	191	+2	Kingfisher	499	304	+4	Reuters	114	946	+3	United Biscuits	2,400	360	+10
Cable & Wireless	2,300	499	+7	Ladbroke	1,400	298	+6	Rolls Royce	850	163½	+½	Utd. Newspapers	939	480	+1
Cadbury Schweppes	3,000	354	+15	Land Securities	858	511	+2	Rothmans	116	649	-1	Wellcome	1,700	721	-8
Carlton Comm.	118	838	+8	Laporte	213	466	+1	Royal Bk of Scotland	2,800	177	-8	Whitbread 'A'	1,300	377	-1
Commercial Union	471	474	+5	Legal & General	1,600	398	+5	Royal Insurance	960	497	+2	Williams Hldgs.	668	236	
[illegible]	625	269		Lloyds Bank	1,300	435	-4	STC	221	267	+3	Wimpey	53	229	+2

APPOINTMENTS

Chairman of Adam & Co

■ Sir Charles Fraser has been appointed chairman of ADAM & CO, Edinburgh, in succession to the late Mr E.J. Gordon Henry. Sir Charles, a senior partner of W. & J. Burness, is also deputy chairman of United Biscuits.

■ Mr Ray Moore and Mr Tony Noble have been appointed joint managing directors of BOOKER CASH AND CARRY.

■ Mr George Younger, MP, former Defence Secretary, has been appointed to the boards of the four MURRAY INVESTMENT TRUSTS as a non-executive director. Mr Raymond Johnstone, non-executive chairman of Murray Johnstone, joins the boards of Murray International Trust, Murray Smaller Markets Trust, and Murray Income Trust.

■ BG INDUSTRIAL LASER GROUP, Huntingdon, has appointed Mr Colin Ward as group managing director UK. He was commercial manager, Mercury Communications.

■ REGENCY LIFE GROUP has promoted Mr John Pickles, group broker sales and marketing director, to managing director, Regency Life Unit Trusts.

■ ROYSCOT FINANCE GROUP, part of the Royal Bank of Scotland group, has appointed Mr Brian Heaney as executive director, RoyScot Drive. He was an associate director, RoyScot Corporate Leasing. At RoyScot Financial Services Mr Gordon Fraser has been appointed finance director designate. He was finance director, Stakis Finance.

■ Mr Andrew Nairn has been appointed partner in charge of the London office of HODGSON IMPEY, succeeding Mr Gerry Burton who has been elected senior partner. Mr Nairn is also managing director of HI Financial Services.

■ Mr Arthur Birchall has been appointed company secretary of JOHN MOWLEM & CO. He was assistant company secretary.

■ Mr Bruno Baillavoine has been appointed managing director of NUTRI/SYSTEM (UK). He was marketing director, special operations division, Grand Metropolitan.

■ TAYLOR YOUNG INVESTMENT MANAGEMENT has appointed Mr George R. Lees as an investment director. Mr David A. Grenier has resigned from the board.

■ DURACELL U.K. has appointed Mr Gary Ferguson as marketing director.

■ Mr David Richards has been appointed managing director of SPINDLER & HOYER UK, Tonbridge.

BIP Chemicals managing director

■ T&N has appointed Mr Frank Tomes, managing director of subsidiary Flexitallic, as managing director of sister company BIP Chemicals from December 1. He succeeds Mr Amar Sabberwal, executive director responsible for friction materials and automotive gaskets.

■ Dr Chris M. Sghibartz has been appointed managing director of JOTUN POLYMER (UK), Mitcham, a wholly-owned subsidiary of the Norwegian company. He was business development manager, corporate development department, BTZ Chemicals.

■ TUNSTALL GROUP has appointed Mr Peter J. Rawlins as finance director. He was finance director of Graham Building Services. Mr David Hewitt, chairman of Comet Group, part of Kingfisher, becomes a non-executive director.

■ Mr J.S. Darling has been appointed to the board of GRESHAM UNDERWRITING AGENCIES, as underwriter for a new personal accident syndicate.

■ Mr David J. McConnell has been appointed managing director of PERFERRED ASSURANCE CO., Camberley, a wholly-owned subsidiary of BALTICA.

Ms Cathy Morton (above) has been appointed company secretary of ALEXANDER PROUDFOOT. She was a senior manager, Deloitte, Haskins & Sells (London).

■ Mr Leslie Priestley has been appointed a non-executive director of PEARCE GROUP HOLDINGS. He was a director of TSB Bank.

CORRECTION
Mr John Robinson, group deputy chief executive, will become group chief executive of SMITH & NEPHEW from January 1. In yesterday's Appointments column this was incorrectly reported as Mr John Smith, caused by a typesetting error.

FT LAW REPORTS

Rejection of union election expenses claim is valid

ELECTRICAL POWER ENGINEERS ASSOCIATION – APPLICATION FOR JUDICIAL REVIEW
Court of Appeal (Lord Justice Parker, Lord Justice Stuart-Smith and Sir John Megaw): November 29 1989

PAYMENT OF a trade union's ballot expenses out of public funds is validly refused if, under union rules, election was determined by geographical considerations as well as by majority vote, in that it is a statutory condition for payment that the result of the ballot, meaning who is to be elected, was determined "solely" by the number of votes cast.

The Court of Appeal so held when allowing an appeal by the Certification Officer of the Trade Union and Employers' Association from Mr Justice Roch's judgment quashing his decision to reject an application for election expenses made by the Electrical Power Engineers Association.

LORD JUSTICE STUART-SMITH said that the EPEA was a trade union founded in 1918. Its membership was drawn from engineers in the electricity supply industry throughout the UK. It was divided into nine geographical areas.

Implementation of union policies and its day to day running were done by its National Executive Council (NEC), whose members were elected annually in accordance with rule 29 of union rules.

The NEC consisted of 24 elected members. Nine were elected in divisional ballots. The remaining 15 were elected in a national ballot.

Rule 29 (3)(ii) provided that "no more than four members of any one division" might serve on the NEC.

The purpose was to prevent one division dominating the NEC and the union. It was an entirely reasonable rule.

The effect was that if in the national ballot for 15 places there were more than three candidates from any one division, only the three candidates from that division who polled the most votes as between themselves could be elected.

In November 1986 the nine divisional ballots were held and nine members were elected. In January 1987 a national ballot was held for the remaining 15 places.

Fifteen candidates were elected. They included three members from the North East Division, with 7,423, 4,815 and 4,566 votes respectively. The last of the 15 was Mr Wappett with 4,014 votes.

At the top of the list of unsuccessful candidates was Mr Kain of the North East Division, with 4,462 votes, followed by the words "not elected under rule 29(3)(ii)."

It was apparent that but for the provisions of that rule he would have been among the 15 members elected.

Following the election the union applied to the certification officer for payment towards expenditure incurred in holding the ballot, under the scheme contained in the Funds for Trade Unions Ballots Regulations 1984 made under the Trade Union Act 1984.

He rejected the application on the ground that the ballot had not complied with regulation 11(f) of the Regulations.

Regulation 10 of the 1984 Regulations provided that the certification officer should not make any payments if he was of the opinion that any of the conditions mentioned in regulation 11 had not been satisfied.

A condition set out in regulation 11(f) was that "the ballot was conducted so as to secure that the result . . . was determined solely by counting the number of votes cast . . ."

The union submitted that that meant that if the result of the ballot could be determined solely by votes being counted by someone who knew the union rules, the condition was satisfied. The certification officer submitted that the words meant that unless the result of the ballot was determined solely by counting the number of votes cast regardless of union electoral rules, the condition was not satisfied.

Mr Pannick for the certification officer submitted that "the result of the ballot" meant who was to be elected. Mr Elias for the union submitted that it meant no more than how the votes were cast. The rule, he submitted, was not concerned with the consequences of the ballot, but only the balloting itself.

Mr Elias's construction was too artificial. In the case of an election the plain and ordinary meaning of the words was "who was to be elected."

His second submission was that assuming the "the result of the ballot" meant who was to be elected, it was still necessary to imply into regulation 11(f) the majority principle for determining the result; and if that was so, why could not further words be implied to require that the result was determined by reasonable union rules?

It was that argument that persuaded Mr Justice Roch.

He said it must be presumed that people casting the votes knew and applied the electoral rules of their union, and that knowledge and application of union rules did not involve determination of the ballot by something other than simply counting the votes.

The fact that it was necessary to imply that the result was determined on the majority principle did not mean that one had to go further and imply additional words contrary to express provision in regulation 11(f) that the result of the ballot was to be determined "solely" by counting the number of votes cast.

Mr Elias's third main submission was that even if the correct interpretation were that the result of the ballot must be determined solely by counting the number of votes cast, the election complied with that condition. He said the result of the election was not reached until certain candidates were declared elected, and for that purpose they must remain eligible up to the moment of declaration.

Rule 29(3)(ii) was not concerned with eligibility. Mr Kain was at all times during the election eligible, and voters voted for him in that belief. It was a bizarre concept that someone's eligibility should only be determined by the result of the election.

The certification officer's construction was correct. The words of regulation 11(f) were sufficiently clear to admit no other construction.

The non-election of Mr Kain and the election of Mr Wappett were partly determined by rule 29 (3)(ii), and not solely by counting the number of votes cast.

The appeal was allowed. Lord Justice Parker and Sir John Megaw agreed.

For the certification officer: David Pannick (Treasury Solicitor)
For the union: Patrick Elias (Lawfords & Co, Richmond)

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	55.66	56.34	59.94	-0.51	4.57
Gilts & Fixed Int	6	108.1	108.1	114.7	+0.20	8.72
High Inc Equity	6	131.4	134.6	143.2	-0.50	4.43
Worldwide Bond	6	207.6	207.6	219.9	-1.70	4.82
Capital Growth						
American Growth	6	205.7	207.6	220.9	-1.90	0.86
Asian Pacific	6	119.1	121.5	129.5	-0.20	1.01
Assets & Earnings	6	152.5	156.2	166.2	+2.70	2.23
Capital Reserve Acc	0	81.85	87.85	87.91	-0.01	4.55
Capital Reserve Inc	0	77.98	77.98	78.03	-0.01	5.13
Comdty & Energy	6	118.0	120.6	128.3	+0.30	1.48
Dividend & Growth		—	—	—	—	—
1992 Enterprise	6	60.40	60.40	65.14	-0.01	1.96
Euro Capital Acc	6	99.31	100.1	106.5	-0.50	0.70
Euro Capital Inc	6	95.75	96.53	102.1	-0.40	0.73
General	6	175.3	138.3	189.9	+2.30	2.63
International	6	59.76	60.36	64.22	-0.08	0.75
Japan	5	130.5	132.9	141.4	+0.70	0.00
Mastertrust	6	93.58	93.58	100.1	+0.40	1.70
UK Growth Acc	6	175.5	175.5	187.8	-0.30	1.49
UK Growth Dist	6	115.8	115.0	121.9	-0.40	2.26
US Emerging Cos	6	55.12	34.64	60.26	-1.10	0.00
Income & Growth	6	296.5	303.3	322.7	-1.01	3.18
Ethical	6	46.29	47.39	50.61	+0.04	1.98
Abtrust Management Ltd (1000)H						
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580						
Amer Inc & Growth	5¼	34.04	34.09	36.39	-0.15	2.60
European	5¼	75.79	75.93	81.00	-0.45	0.00
European Income	5¼	77.90	75.40	78.35	-0.W	2.22
Exempt	1	760.2	760.2	790.6	+0.60	1.74
Extra Income	5¼	42.72	42.75	45.00	+0.04	4.40
F East Emerg Ecos	5¼	63.72	64.16	68.69	-0.14	0.15
Fund Inv Tst	5	128.7	132.2	141.1	+0.50	1.75
Do Accum	5	201.8	207.3	221.3	+0.80	1.76
Gilt & Fixed Int	5¼	20.40	21.12	22.54	-0.01	11.02
Income & Growth	5¼	70.82	70.02	74.75	-0.10	3.77
Intl Income	5¼	67.78	67.78	72.36	-0.13	4.49
Japan	5¼	228.7	228.7	244.1	-1.80	0.00
Pacific	5¼	466.5	407.7	500.9	+0.70	0.00

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Buckmaster Mangmt Co Ltd—Contd.						
International	5	117.5	117.5	124.3	-2.3	1.00
(Accum Units)	5	161.5	161.5	170.9	-3.2	1.00
Smaller Co's	5	102.3	102.3	108.2	+0.2	2.30
(Accum Units)	5	112.4	112.4	110.7	-0.2	2.30
Inv Portfolio	2½	52.79	53.74	55.40	+0.19	3.44
(Accum Units)	2½	54.00	55.78	57.51	+0.02	3.44
High Income Port	5	46.73	47.50	49.22	-0.19	5.98
Burrage Unit Tst Mangmt Ltd (0905)F						
117 Fenchurch St, London EC3M 5AL 01-480 7216						
Sh Dtd Gilt & FI	1¼	54.95	54.95	55.74	+0.01	2.83
CCF Foster Braithwaite UT Mngt (1100)F						
1 White Hart Yard, London SE1 1NX 01-407 5966						
F & B Sel Intl Gwth	5½	52.26	52.26	56.19	.....	1.33
CCL Unit Trusts Ltd (1400)F						
74 Shepherds Bush Green, W12 8SQ 01-740 7070						
UK General Tst	5½	53.55	53.55	55.21	-0.10	2.23
Global Tst	5½	41.85	47.85	51.56	-0.07	2.81
Recovery Tst	5½	45.84	95.84	51.10	+0.23	1.92
CIBC Unit Tst Managers plc (1200)H						
Cottons Ctr, Cottons Lane, Ldn. SE1 2QL 01 234 6000						
Growth Fd Acc	5	109.9	111.4	117.5	-0.2	4.45
CIS Unit Managers Ltd (1000)F						
PO Box 105, Manchester M60 0AH 061 837 5060						
UK Growth	5	99.90	101.3	108.8	...	2.28
UK Income	6	99.29	100.9	107.4	-0.1	5.35
CS Fund Managers Limited (1000)H						
125 High Holborn, London WC1V 6PY 01-242 1148						
CS America	5	66.66	66.66	70.91	-0.34	1.21
CS International	5	60.66	60.66	64.53	-0.20	1.95
CS Japan	5	156.7	156.7	166.1	+0.9	0.33
CS Portfolio Inv 4	5	70.12	70.12	74.34	-0.06	3.61
Canada Life Unit Tst Mgrs Ltd (1200)F						
High St, Potters Bar, Herts, EN6 5BA 0707 51122						
Can Gen Dist	5	145.6	148.2	156.0	......	2.97
Do Gen Accum	5	249.9	250.4	263.6	......	2.97
Do Income Dist	5	92.10	44.44	99.41	......	5.67
Do Inc Accum	5	217.0	222.5	234.2	......	5.67
Gilt & Fxd Int	5	35.61	35.75	37.63	......	8.53
Cannon Fund Managers Ltd (0700)H						
1 Olympic Way, Wembley, HA9 0NB						
01-902 8876. Dealing: 0800 282621						
Growth	5¾	37.25	37.73	40.35	+0.21	2.54
Income	5¾	47.11	47.92	51.25	+0.21	4.86
Far East $	5¾	42.27	43.00	45.83	+0.40	0.05
North American $	5¾	40.81	41.26	44.13	-0.34	1.63
Global $	5¾	58.78	59.89	64.71	-0.06	1.34
European	5¾	69.45	65.32	69.49	+0.31	0.77

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price on the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♦ - 0001 to 1100 hours; ♠ - 1101 to 1400 hours; ♣ - 1401 to 1700 hours; # - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust information pages.

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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	Bid Price	Offer Price	+ or -	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	122.0	129.0	-1.0	-
Building Soc. Fd.	177.0	187.0		-
Balanced	281.0	296.0		-
European	197.0	208.0		-
G7 Managed	186.0	196.0	-1.0	-
Gartmore Mngd.	130.0	137.0		-
German	156.0	165.0	-2.0	-
Gilt	172.0	182.0		-
Global	49.0	52.0		-
High Inc.	106.0	112.0		-
International Equity	199.0	210.0	-1.0	-
Japan	293.0	309.0	+1.0	-
Managed	57.0	60.0		-
Property	298.0	314.0		-
R W Imperial Gold	147.0	155.0		-
UK Equity	316.0	333.0	-1.0	-
Pension Funds				
American	151.0	159.0		-
Building Soc. Fd.	181.0	191.0		-
Balanced	219.0	231.0		-
European	193.0	204.0		-
German	136.0	144.0		-
Gilt	153.0	162.0		-
International Equity	142.0	150.0		-
Japan	146.0	154.0		-
Managed	63.0	67.0	+1.0	-
Property	228.0	240.0		-
UK Equity	303.0	319.0		-
Professional Life Assurance Co Ltd				
Frobisher Hse. Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	94.70	100.09		-
Pensions Cash Fund	82.11	86.49		-
Prolific Life & Pensions Ltd				
Stramongate, Kendal, Cumbria LA9 4BE 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Grth Mngd.	610.9	643.0	-0.4	-
Adventurous Mngd.	133.9	141.2	+0.3	-
Secure Mngd	111.0	117.0	+0.1	-
Cash Fd	242.3	255.4	+0.4	-
Property Fund	299.6	315.8	+0.2	-
Equity Fund	692.2	729.5	-0.5	-
Fixed Int. Fund	293.2	309.0	-0.1	-
International	336.8	354.4	-1.3	-
High Income	444.5	472.7	-1.0	-
Far East	463.8	493.5	+3.4	-
North American	[illegible]	[illegible]	[illegible]	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prudential Holborn Pensions Ltd—Contd.				
Index Linked Gilt	202.2	212.9	(z)	-
Guaranteed	13.93		(z)	-
International Money	213.5	224.0	(z)	-
North American	83.4	87.0	(z)	-
Japanese	169.6	178.6	(z)	-
European	111.7	117.6	(z)	-
Special Situations	109.2	113.0	(z)	-
Communications	103.4	108.9	(z)	-
Smaller Companies	107.4	113.1	(z)	-
International Small Cos.	144.2	151.8	(z)	-
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Nov 29	£162.73	167.83	+3.3	-
Equity Nov 29	£170.95	177.11	+4.12	-
International Nov 29	£29.06	30.52	+0.0	-
Intl Bond Nov 29	£13.08	13.25	+0.07	-
Fixed Int. Nov 29	£74.07	74.89	+0.04	-
Index Linked Nov 29	£62.96	63.75	-0.3	-
Property Nov 29	£116.38	123.50	+0.02	-
Cash Nov 29	£22.2297	22.2297	+0.0047	-
Pre-Linked Retirement Plan				
Managed Nov 28	388.9	405.2		-
Cash Nov 28	208.4	217.1		-
Prudential Pensions Investment Account				
Pens Mngd Nov 30	156.8	169.6	+0.8	-
Pens UK Eq Nov 30	286.2	308.1	+0.4	-
Pens Intl Nov 30	206.0	221.7	-0.4	-
Pens Fixed Nov 30	169.2	178.6	-0.8	-
Pens Index Lk Nov 30	162.5	171.6		-
Pens Cash Nov 30	136.0	143.2		-
Regency Life Assurance Co Ltd				
Regency Hse. Lanark Sq. London E14 9XS 01-538 8800				
Aggressive Ptflio Fd.	119.9	126.2	+0.2	-
Balanced Ptflio Fd	313.2	329.6	+0.8	-
Cautious Ptflio Fd.	123.6	130.0	+0.1	-
Elite Fund	106.2	111.7	-0.5	-
European Fund	96.2	101.2	+0.6	-
Far East Fund	116.2	122.3	+0.5	-
Fixed Interest Fund	247.3	260.3	+0.1	-
International Fund	294.5	309.9	+0.3	-
Money Fund	182.8	192.4	-0.1	-
N. American Fd	126.1	132.7	+0.9	-
Property Fund	390.5	411.0	+0.5	-
UK Equity Fd	771.4	790.9	+1.6	-
A.I.M. Brown Distn Fd.	100.7	106.0	-0.3	-
Swiss Select Inv.	119.4	125.7	+0.5	-
Chart Safety First Bd.	105.8	111.4	+0.3	-

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
133¼	124	Treas 2pc IL '90(84.6)	133¼	+½	2.09	9.98
99⅞	98⅛	Exch 11pc 1990‡‡	99⅛	.....	11.10	14.78
101⅞	99⅜	Exch 12½pc 1990	99⅜	.....	12.59	14.68
96⅞	91⅞	Treas. 3pc 1990	96⅛	.....	3.12	12.20
97¼	95¼	Treas 8¼pc 1987-90‡‡	97⅛	.....	8.49	13.95
98⅞	95¼	Treas. 8pc Cv 1990 ‡‡	96⅞	.....	8.29	14.02
98⅞	96⅜	Treas. 10pc Cv 1990	96⅞	.....	10.53	13.82
93⅞	87⅝	Exch 2½pc 1990	92⅝	.....	2.70	10.77
101⅞	98⅛	Treas 11¾pc 1991	98⅛	+⅛	11.98	13.58
93¼	89⅞	Funding 5¾pc '87-91‡‡	92⅛	–⅛	6.22	11.95
90⅞	86⅛	Treas. 3pc 1991	90⅛	.....	3.33	10.49
100⅛	95¼	Treas 10pc Cv '91 ‡‡	95⅞	.....	10.44	12.94
101⅞	96⅞	Exch. 11pc 1991	97⅛	–⅛	11.32	12.68
94¼	91⅛	Treas. 8pc 1991	91⅞	–⅛	8.70	12.62
106⅛	100⅞	Treas 12¾pc 1992‡‡	100⅞	.....	12.67	12.34
99½	95⅞	Treas 10pc 1992	95⅞	–⅛	10.47	12.34
94⅞	90⅞	Treas. 8pc 1992 ‡‡	91½	–⅛	8.76	12.31
100¼	96⅞	Treas 10½pc Cv 1992‡‡	96½	.....	10.87	12.14
85¼	82¼	Treas. 3pc 1992	84¼	–⅛	3.56	10.23
105⅞	100⅛	Exch. 12¼pc '92	100⅛	–⅛	12.24	12.17
109¼	103¼	Exch 13½pc 1992	103¼	–⅛	13.06	12.01
94⅛	90⅞	Treas 8¼pc 1993	90⅞	–⅛	9.11	11.82
100⅞	95½	Treas 10pc 1993‡‡	95½	.....	10.48	11.66
108⅞	102⅛	Treas 12½pc 1993‡‡	102⅛	–⅛	12.24	11.75
88⅛	84⅞	Funding 6pc 1993‡‡	85½	.....	6.98	10.59
113⅞	106⅞	Treas 13¾pc 1993‡‡	106⅞	–⅛	12.89	11.59
94¼	89¼	Treas. 8½pc 1994	90⅛	.....	9.44	11.55
117⅞	110⅛	Treas 14½pc 1994‡‡	110⅛	.....	13.17	11.42
113⅞	106½	Exch 13½pc 1994	106½	–⅛	12.67	11.53
100⅞	95⅞	Treas. 10pc Ln. 1994‡‡	95⅞xd	–⅛	10.49	11.34
110¼	103⅞	Exch. 11½pc 1994	103⅞	–⅛	12.09	11.51
96⅞	91¼	Treas 9pc 1994‡‡	91⅞	–⅛	9.84	11.29

Five to Fifteen Years

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108⅞	102⅛	Treas 12pc 1995	102⅛	–⅛	11.76	11.43
79⅞	72	Exch 3pc Gas 90-95	75½	.....	3.97	8.80
101⅞	95⅞	Exch. 10¼pc 1995	95⅞	–⅛	10.72	11.30
113⅞	106¼	Treas 12¾pc 1995‡‡	106¼	–⅛	11.96	11.19
119⅞	111⅛	Treas. 14pc '96	111⅛	–⅛	12.58	11.37
97½	90⅞	Treas. 9pc 1992-96‡‡	90⅞	–⅛	9.89	11.02
126⅞	118⅛	Treas 15¼pc 1996‡‡	118⅛	.....	12.90	11.19
117⅞	109⅛	Exch 13¼pc 1996‡‡	109⅛	–⅛	12.11	11.17
101⅞	94⅞	Conversion 10pc 1996	95⅛	–⅛	10.51	11.02
118⅞	110⅛	Treas 13¼pc 1997‡‡	110¼	–⅛	12.01	11.09
104⅛	97¼	Exch 10½pc 1997	97½	.....	10.78	11.00
95⅞	88¼	Treas 8¾pc 1997‡‡	89⅛	–⅛	9.78	10.79
128⅞	119¼	Exch 15pc 1997	119¼	–⅛	12.57	11.23
100⅞	93⅞	Exch. 9¾pc 1998	93¼	–⅛	10.39	10.89
84⅞	78⅛	Treas 6¾pc 1995-98‡‡	79⅞	+⅛	8.45	10.39
134⅞	124⅞	Treas. 15½pc '98‡‡	124½	–⅛	12.44	11.04
113⅞	105⅞	Exch. 12pc 1998	105½	–⅛	11.35	10.97
100⅛	93⅛	Treas 9½pc 1999‡‡	93½	+⅛	10.16	10.62
115⅞	107⅞	Exch. 12¼pc 1999	107⅞	.....	11.40	10.94
105¼	97⅞	Treas. 10½pc 1999	98⅛	+⅛	10.69	10.81
104⅛	96⅜	Conversion 10¼pc 1999	96⅞	.....	10.60	10.80
94⅞	86⅞	Treas. 8½pc Ln 2000‡‡	87⅞	+⅛	9.73	10.53
97⅞	90	Conversion 9pc 2000‡‡	90⅞	+⅛	9.95	10.53
122⅞	112⅞	Treas. 13pc 2000	112⅞	+⅛	11.53	10.93
103⅛	95⅞	Treas 10pc 2001	95⅞	+⅛	10.44	10.63
124⅞	115⅛	Treas. 14pc '98-01	115¼	+⅛	12.14	11.16
102⅞	94⅞	Conversion 9¾pc 2001	94⅞	+⅛	10.34	10.60
113⅞	105⅞	Exch. 12pc '99-02	105⅛	+⅛	11.38	11.02
104⅞	96⅞	Conversion 10pc 2002	96⅞	+⅛	10.39	10.55
102⅞	94½	Treas 9¾pc 2002	94½	+⅛	10.31	10.52
97⅞	89⅞	Exch. 9pc 2002	89⅞	+⅛	10.02	10.45
126⅞	116⅞	Treas. 13¾pc 2000-03	116⅞	+⅛	11.74	10.98
105⅞	97	Treas 10pc 2003	97⅛	+⅛	10.31	10.40
113⅞	104⅞	Treas. 11½pc 2001-04	104½	+⅛	11.00	10.78
106⅞	97¼	Treas. 10pc 2004	97⅛	+⅛	10.27	10.36
59⅞	54⅞	Funding 3½pc '99-04	54⅞	.....	6.39	9.18
102⅞	94⅛	Conversion 9½pc 2004	94¼	+⅛	10.10	10.29

Over Fifteen Years

BRITISH FUNDS—Contd

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103⅞	94⅞	Conversion 9½pc 2005	94¼	+⅛	10.08	10.25
111¼	101⅞	Exch.10½pc 2005	102	–⅛	10.30	10.24
125⅛	114¼	Treas. 12½pc 2003-05	114¾	–⅛	10.88	10.45
90⅞	82½	Treas. 8pc 2002-06‡‡	82½	–⅛	9.69	10.18
118⅞	109	Treas. 11¾pc 2003-07	109	–⅛	10.78	10.46
96⅞	87⅞	Treas 8½pc 2007 ‡‡	87½	+⅛	9.72	10.02
134⅞	122⅞	Treas. 13½pc '04-08	122⅞	–⅛	10.99	10.39
101⅞	91⅞	Treas. 9pc 2008 ‡‡	91⅞	.....	9.79	9.95
93⅞	91⅞	Treas. 9pc 2008 B	91⅞	.....	9.79	9.95
92⅞	83½	Treas 8pc 2009	83⅞	+⅛	9.57	9.90
102⅞	92½	Conv 9pc Ln 2011 ‡‡	92⅞	+⅛	9.75	9.86
68⅞	61⅞	Treas. 5½pc 2008-12‡‡	61⅞	+⅛	8.87	9.64
89⅞	80⅞	Treas. 7¾pc 2012-15‡‡	80⅞	–⅛	9.59	9.82
132⅞	119⅞	Exch. 12pc '13-'17	119⅞	.....	10.06	9.89

Undated

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅛	40⅞	Consols 4pc	40⅞	–⅛	9.95	–
40⅞	35½	War Loan 3½pc‡‡	35½	–⅛	9.86	–
70⅞	60⅞	Conv. 3½pc '61 Aft	61⅛	–⅛	5.70	–
41⅞	31¼	Treas. 3pc '66 Aft	31¼	–⅛	9.45	–
30¼	25⅞	Consols 2½pc	25⅞	–⅛	9.93	–
29½	24⅞	Treas. 2½pc	24⅞	–⅛	10.08	–

Index-Linked

1989 High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112¼	103⅛	Tr. 2pc '92‡‡(97.8)	111⅛	.....	3.08	4.25
105⅞	94⅞	Do. 2 '94 (102.9)	104⅞	.....	2.95	3.55
155⅞	139¼	Do. 2pc '96(67.9)	153¼	.....	3.05	3.46
130⅞	118⅞	Do 2½pc '01(78.3)	128⅞	+⅛	3.49	3.75
127⅞	115¼	Do. 2½pc '03(78.8)	125⅛	+⅛	3.59	3.82
131⅞	117⅞	Do. 2pc '06(69.5)	128⅛	+⅛	3.60	3.79
123⅞	110¼	Do. 2½pc '09(78.8)	119⅛	+⅛	3.61	3.79
128	114⅞	Do. 2½pc '11(74.6)	124⅞	+⅛	3.59	3.76
106¼	95¼	Do. 2½pc '13(89.2)	103⅞	+⅛	3.58	3.73
115⅞	101¼	Do. 2½pc '16(81.6)	111⅛	+⅛	3.54	3.69
112⅞	100⅞	Do. 2½pc '20(83.0)	109⅞	+⅛	3.49	3.62
95⅞	84⅞	Do. 2½pc '24‡‡(97.7)	92⅛	+⅛	3.45	3.56

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1989: 112.3 and for October 1989: 117.5.

INT. BANK AND O'SEAS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108⅞	98⅞	African Dv Bk 11¼ Ln 2010	99⅞	+⅛	11.16	11.51
104⅞	95⅞	Asian Dev Bk 10¼pcLn2009	95⅞	+⅛	10.69	10.76
130⅞	118⅞	Australia 13½pc 2010	118⅞xd	+⅛	11.35	11.13
113⅞	101⅞	Do. 11¼pcLn2015	102⅞	+⅛	11.06	11.05
110⅞	99⅞	Euro Inv Bk 11pc Ln 2002	100⅞	+⅛	10.96	10.94
104⅞	95¼	Do. 10¼pc2004	96	+⅛	10.81	10.92
119⅞	107⅞	Int-Am Dev Bk 12½pc 2003	109¼	+1¼	11.44	11.12
99¼	90⅛	Do. 9¾pcLn 2015	90¾	+⅛	10.74	10.83
97½	91	Mlysia 10¾pcLn 2009	91xd	.....	11.36	11.94
120	110	Utd. Mexican States 16½pc 2008	110	.....	15.00	14.90

CORPORATION LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
111½	101½	Birmingham 11½pc 2012	101½xd	.....	11.33	11.30
91	85½	GLC 6¾pc 1990-92	86½xd	.....	7.80	13.90
124½	115½	Leeds 13½pc 2006	115½	.....	11.69	11.36
33	30	Liverpool 3½pc Irred	30xd	.....	11.67	–
95½	92	LCC 6¾pc '88-90	94½	.....	7.14	12.80
30	26	Do. 3pc '20 Aft	28xd	.....	10.71	–
107¼	100½	Manchester 11½pc 2007	100½xd	.....	11.44	11.40

COMMONWEALTH & AFRICAN LOANS

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988-92	87	.....	8.24	12.10
206	206	S Rhod 2½pc Non-Asstd	206	.....	–	–
84½	84½	Do. 4½pc 87-92 Asstd	84½	.....	5.33	9.33

LOANS

Building Societies

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100	98⅞	N'wide Anglia 12⅞pc 4.12.89	99⅞	.....	12.[illegible]	15.19
100⅛	99⅛	Do. 12⅞pc 2.1.90	99⅞	.....	12.[illegible]	15.62
100½	98¼	Do. 12⅞pc 29.1.90	99⅛	.....	12.[illegible]	15.46
100	98¼	Do. 12⅞pc 26.2.90	99⅛	.....	13.[illegible]	15.42
100	98⅞	Do. 12⅞pc 19.3.90	99⅞	.....	12.[illegible]	15.37
100⅛	98⅞	Do. 13⅞pc 23.4.90	99⅛xd	.....	13.[illegible]	15.36
100	98⅞	Do. 13pc 14.5.90	99	.....	13.[illegible]	15.36
100	98¼	Do. 13⅞pc 4/6/90	99⅛	.....	13.[illegible]	15.29
100⅞	99⅛	Do. 14⅞pc 2.7.90	99⅞xd	.....	14.[illegible]	15.26
100¼	98⅞	Do. 13⅞pc 23.7.90	99⅛	.....	13.[illegible]	13.08
100	98⅞	Do. 13⅞pc 13.8.90	98⅞	.....	13.[illegible]	14.99
100	98⅞	Do. 13½pc Bds 3.9.90	98⅞	.....	13.[illegible]	14.94
107½	98½	Do 3⅞pcIL Ln 2021	107½xd	+½	4.[illegible]	4.44
107½	99⅛	Do. 4.25pcIL '24	106¼	.....	4.[illegible]	4.30

Public Board and Ind.

1989 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50	.....	3.50	7.00
50	40	Do. 6pc 28 Stb. Ass.	50xd	.....	3	6.00
50	40	Do 4pc Mixed Ass.	50xd	.....	2	4.00
80	65	Hung. '24 Ass	80	.....	2.75	3.57
139⅞	126¼	Hydro Quebec 15pc 2011	126¼	–⅛	15.00	11.63
128⅞	114⅞	Iceland 14½pc Ln 2016	114⅞xd	–⅛	14.50	12.59
97¼	90	Ireland 9¾pc '91-96	90¼xd	.....	10.80	11.60

AMERICANS

1989 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44⅞	26¼	Abbott Laboratories‡	44xd	–⅛	$1.[illegible]	–	2.0
579p	361p	Allegheny & W 1c	454p	–2	[illegible]	–	4.2
18⅞	12⅞	Amax $1	14½xd	–⅛	[illegible]	–	3.5
11⅞	6	Ambase Corp $1	8¼xd	–⅛	[illegible]	–	1.5
15	695p	Amdahl 5c	797pxd	+15	[illegible]	–	0.8
37⅞	25½	Amer. Cyanamid $5	33½	–⅛	$1.[illegible]	–	2.6
25⅞	14⅞	Amer. Express 60c	22⅞xd	–⅛	[illegible]	–	2.4
28¼	15¼	American T. & T. $1	27¼	–⅛	$1.[illegible]	–	2.8
41¼	26⅛	Ameritech $1	38	–⅛	$2.[illegible]	–	4.9

Continued on next page

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

ISLE OF MAN (**)

LUXEMBOURG (**)

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

[illegible]

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
60p	45p	Image Storage/R.Sys.Ic.	50p	−2	—	—	—
32½	18¾	Ingersoll-Rand $2	30⅛	−⅛	$1.20	—	2.5
33¾	22½	Lockheed Crpn. $1	24½	.....	$1.80	—	4.7
22⅝	12½	Lone Star Inds $1	13¼	−⅛	$1.90	—	9.1
27⅞	17½	Louisiana Land 15c	25⅛	−⅛	$1.00	—	2.5
20⅛	11½	Lowe's 50c	19	.....	48c	—	1.6
28⅛	15	Manuf. Hanover $1	22⅛	−⅛	$3.28	—	9.1
22⅝	13⅞	Merrill Lynch $1	16⅞	+⅛	$1.00	—	3.8
24⅛	19⅛	Molex Inc	22⅝	+⅛	3.2c	—	—
30⅛	18¾	Morgan (JP) $2½	27⅞	−⅛	$1.66	—	3.9
29⅞	24⅛	Morris (Philip)	26⅝	+⅛	$1.13	—	2.7
54½	36½	NYNEX $1	52	−⅛	$4.36	—	5.3
44p	16p	W'wide Legal Serv.‡	16p	−4	—	—	—
24⅞	18¾	PHH Corp. ‡	23⅞	−⅛	$1.16	—	3.2
259p	167p	♥Pacific Agr ‡	174p	+4	—	—	—
28¼	19	Pacificorp $3¼	27¼	+⅛	$2.76	—	6.0
30⅛	16¾	Pacific Telesis 10c	29	−⅛	$1.88	—	4.1
22⅞	15¼	Pall Corp. 25c	21½	−⅛	48c	—	1.4
55⅝	39⅛	Pennzoil 83 1/3c	50⅛	−⅛	$3.00	—	3.8
42¼	28⅛	Quaker Oats $5	38⅛	−⅛	$1.40	—	2.3
32⅛	23⅛	Rep NY Corpn $5	29⅛	−⅛	$1.28	—	2.7
16¾	11⅞	Rockwell Intl. $1	13⅝	−⅛	78c	—	3.7
29½	22	Sears, Roebuck 75c	24⅝	.....	$2.00	—	5.2
37½	21⅝	Southwestern Bell $1	35	+⅛	$2.60	—	4.7
27⅞	17⅛	Sun Co. Inc. $1	23⅛	−⅛	$1.80	—	4.5
31¼	22⅞	TRW Inc. 62½c	29	.....	$1.72	—	3.8
24⅞	14¾	TW Services $5	22	+⅛	—	—	—
40⅛	26¼	Tenneco $5	37⅞	+⅛	$3.04	—	5.1
35⅞	28	Texaco $6.25	34⅛	−⅛	$3.00	—	5.3
26⅞	18⅛	Texas Instr. $1	22⅞	−⅛	72c	—	2.0
117⅞	58⅝	Time Inc. $1	84¼	−⅛	$1.00	—	0.7
19⅝	15⅞	TRINOVA Corp.	14½	+⅛	§68c	—	2.9
26⅛	16	USX $1	22⅛	+⅛	$1.40	—	4.0
321p	126p	♥Unilab	302p	+4	—	—	—
36⅛	22⅛	Utd Technologies	33⅛	−⅛	$1.60	—	3.0
158p	121p	♥Utilitech Inc.	143p	−1	—	—	—
48¼	31½	US West‡	45¼	−⅛	$3.76	—	5.3
43⅞	22⅛	Waste Management $1	41⅞	−⅛	60c	—	0.9
20⅛	15½	Whirlpool $1	18⅛	−⅛	$1.10	—	3.7
24⅛	16⅛	Whitman Corp	18⅛	+⅛	$1.02	—	3.5
46⅛	28⅛	♥Woolworth $3½	38⅛	+⅛	$1.88	—	3.1

CANADIANS

High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
186p	129p	♥ABM Gold Corp ‡	164p	.....	—	—	—
26p	4½p	♥Abbot Energy Corp.	26p	.....	—	—	—
21⅛	902p	♥Amer. Barrick Res.	20⅛	−⅛	—	—	—
39½p	10½p	♥Armeno	36p	+2	—	—	—
33½p	8½p	♥Augmitto Expln	11½p	−½	—	—	—
18½	12⅞	Bk. Montreal ‡	17⅛	+⅛	$2.12	—	6.3
10⅜	655p	Bk. Nova Scot ‡	917p	−7	92c	—	5.4
828p	599p	♥BC Gas $1	828p	+6	60c	—	3.9
24⅛	17	BCE ‡	24⅛	+⅛	$2.44	—	5.4
17	12⅛	♥Brascan‡	15	.....	88c	—	3.2
228p	108p	♥Breakwater Res.	178p	−3	10c	—	3.0
17⅞	11⅛	Can Imp Bank‡	17⅞	+⅛	$1.24	—	3.8
15¼	997p	Can. Pacific ‡	13¼	+⅛	76c	—	2.8
41¼	37	Do. 4pc Deb £100	37	.....	4%	—	10.8
580p	374p	Central Capital "A" ‡	554p	−1	—	—	—
585p	340p	♥Corona Corp.	575p	−7	—	—	—
461p	226p	♥Cons TVX Min.	438p	−1	—	—	—
775p	492p	♥Derlan Inds ‡	495p	−7	11.75c	—	1.3
12½	751p	♥Echo Bay Mines	11¼	−⅛	$0.07	—	0.3
572p	336p	♥ECD Corp ‡	383p	−8	—	—	—
417p	243p	Gandalf Techs. Inc.	339p	−1	—	—	—
186p	122p	Granges Inc ‡	135p	−2	—	—	—
27⅞p	3p	♥Gt. Pacific Res.	5½p	.....	—	—	—
903p	651p	♥Gulf Canada‡	849p	−20	52c	—	3.3
15	10⅛	♥Hawker Sid Can‡	14	+⅛	$1.08	—	4.2
20⅛	11⅛	♥Hudson's Bay ‡	17⅛	+⅛	60c	—	1.9
34⅛	23	♥Imperial Oil‡	32⅛	−⅛	$1.80	—	3.0
23⅛	14⅛	Inco‡	18	−⅛	§$0.80	—	2.8
290p	102p	♥Madeleine Mines	192p	.....	—	—	—
193p	99p	♥Moscocho Explo	131p	−1	—	—	—
126p	60½p	♥Nevada Goldfields	79p	+2	—	—	—
573p	456p	Nova Corp of Alberta	476p	+8	42c	—	4.8
14½	10⅞	♥Rio Algom	12½	.....	85c	—	3.7
27¼	17¼	Royal Bk. Can. ‡	27⅛	+⅛	$2.20	—	4.4
47⅛	33⅛	Seagram‡	53⅛	−⅛	US$1.40	—	1.7
700p	348p	♥Sechura Inc.	602p	−42	—	—	—
112p	73p	♥Sonora Gold Corp‡	100p	−4	—	—	—
139p	33p	♥Tam Pure Tech. Corp‡	33p	−3	—	—	—
12⅛	806p	Toronto-Dom. Bk‡	11⅛	+⅛	76c	—	3.6
944p	686p	♥Trans Can Pipe	931p	−7	68c	—	4.0
184p	127p	Varity Corp‡	141p	−1	—	—	—

BANKS, HP & LEASING

1989 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
*285	216	ANZ $A1	273	−1	44c	♦	8.0	♦
162½	139	Abbey National 10p	162½	+4	L7.7	2.7	6.3	6.6
*221	120½	Allied Irish Ord	221	+2	‡t068%	3.3	3.6	11.4
£13½	£11⅛	Algemene Fl.10	£13¼	−⅛	Q28%	2.0	6.9	7.3
*90	61	Anglo Irish	77	.....	‡011.8%	♦	3.6	♦
79	57	Ansbacher (H.) 1p	68	.....	2.0	—	3.9	—
£68⅛	£38⅛	Bancaire Cie Fr100	£66⅛	−⅛	0024½	—	2.0	—
£46⅛	£35⅛	Banco Bilbao Viz.	£43⅞	+⅛	Q35.7%	2.0	3.1	16.1
£33	£28	Banco de Santander	£30⅞	.....	Q22%	2.4	2.6	16.0
*253	169	Bank Ireland IrE1	245	+3	‡c012.3%	3.2	4.8	8.4
£19½	£17½	Bank Leumi	£19½	.....	—	—	—	—

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES—Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

هكذا عنه التحصل

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING, ADVERTISING — Contd

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES — Contd

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND — Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS — Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES — Contd

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

1989 High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's	P/E
[illegible]	40	Sempernova	46	-1	-	-	-	10.1
[illegible]	20	Sleepy Kids 5p	29	-1	-	-	-	-
*17½	5½	Stats Hldgs. 5p	7	.....	-	-	-	13.0
*3½	1¼	Swanyard Studios 1p	1½	+¼	-	-	-	7.2
[illegible]	2½	System Connection 2½p	2½	.....	-	-	-	3.3
[illegible]	28	Tavern Leis. 20p	39	+1	-	-	-	-
11[illegible]	28	Tomorrows Leisure 20p	81	.....	-	-	-	30.0
[illegible]	60	UPL Group 10p	60	.....	2.75	1.9	6.1	11.3
150	129	Unit Group	132	.....	5.0	3.3	5.1	7.3
100	66	Video Magic Leis. 1p	82	.....	W2.0	0.7	3.3	65.7
14	4½	Vista Ents 5p	4½	.....	-	-	-	-
40	20	Vizcaya Hldgs 5p	23	.....	-	-	-	-
46½	23	Whitegate Leisure 20p	38½	+½	-	-	-	-
32½	10	Do. Wrrnts	25	.....	-	-	-	-
10¼	4½	Wilton Group 1p	5	-¼	-	-	-	-

(Earlier Third Market entries [illegible])

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ¶¶ Not officially listed.
- Ø Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♣ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ‡ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p γ	86	.....
Craig & Rose £1 γ	830	.....
Finlay Pkg. 5p γ	66	.....
Holt (Jos) 25p γ	1343	+5

IRISH

Cap. 8½% Ln. 1991	£96¾	.....
9pc Cap Ln. 1996	£96¼	.....
Fin. 13% 97/02	£116	.....
Arnotts	400	.....
Carroll (P.J.) γ	148	+3
Hall (R. & H.)	195	.....
Helton Hldgs. γ	87	.....
IRG	230	.....
Unidare	145	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¾
BAT	67
BOC Grp.	44
BTR	37
Barclays	48
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons.	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd.	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen.	31
Lex Service	26
Lloyds Bank	31
Lucas Inds.	54
Marks & Spencer	14
Midland Bk.	26
Morgan Grenfell	38
Nat West Bk.	23
P & O Dfd.	52
Polly Peck	38
Racal Elect.	28
RHM	39
Rank Org Ord.	72
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	14½
Unilever	57
Vickers	22
Wellcome	55

Property

Brit Land	27
Control Secs.	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm.	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Lonrho	23
RTZ	65

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

D-Mark renews its advance

THE D-MARK showed renewed strength in quiet foreign exchange trading yesterday. End of the month book keeping operations were the main feature of a dull market. Rumours that Mr Alan Greenspan had resigned, or was about to resign, as chairman of the US Federal Reserve Board, were denied by the Fed.

The dollar dipped as rumours about Mr Greenspan circulated. It fell below technical support at DM1.7850 before the close of trading in London, finishing at DM1.7795 compared with DM1.7935 previously. Later in New York, after the Fed's denial, the dollar nudged back above DM1.7800, but trading remained thin.

The US currency also declined to FFr6.0700 from FFr6.0800, but it improved against the Japanese yen to close at Y142.90 against Y142.50 and rose to SFr1.5905 from SFr1.5880. On Bank of England figures, the dollar's index was unchanged at 68.9.

There was a slight downward move by the dollar on news that US personal consumption fell 0.2 per cent in October. This underlined the weakness seen in recent US economic data but was not considered an important enough figure to have much effect. Leading indicators, to be published today, may have more impact on the market. As expected, the Fed added temporary liquidity to the New York banking system, via $1.5bn of customer repurchase agreements, when Federal funds were trading at 8¾ per cent. The move was not regarded as significant.

Sterling held above DM2.80 for most of the day, rising above DM2.81 at one stage, but it fell back to close around the day's low and unchanged from Wednesday at 2.7925. The pound improved slightly against the dollar and the yen, and once again it was a story of demand for the D-Mark rather than a fundamental weakness of sterling. The pound gained 20 points to $1.5690 and rose to Y224.25 from Y223.25. It also climbed to SFr2.4950 from SFr2.4875. According to the Bank of England, sterling's index rose 0.4 to 86.4, but the final calculation was above DM2.80.

The was no reaction when Mr John Major, the UK Chancellor, told Parliament that he will continue to take account of sterling's value, along with other indicators, when setting interest rate policy.

In late European trading the D-Mark rose above Y80 again, to close at 80.30, compared with Y79.94 previously. Earlier, in Tokyo the West German currency opened firm at Y80.14 but traded around Y79.90 for most of the day in the Far East, continuing the profit-taking seen on Wednesday. Dealers said there was likely to be strong support for the D-Mark if it fell below Y79.80.

Interest rate differentials favouring Frankfurt continued to support the D-Mark, although as expected the West German Bundesbank did not raise official interest rates at yesterday's council meeting.

£ IN NEW YORK

Nov.30	Latest	Previous Close
£ Spot	1.5670-1.5680	1.5670-1.5680
1 month	0.84-0.83pm	0.86-0.85pm
3 months	2.39-2.34pm	2.50-2.48pm
12 months	8.38-8.25pm	8.80-8.72pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov 30	Previous
8.30 am	86.5	85.9
9.00 am	86.4	85.8
10.00 am	86.4	85.9
11.00 am	86.4	86.0
Noon	86.4	86.0
1.00 pm	86.4	86.0
2.00 pm	86.4	86.0
3.00 pm	86.3	86.1
4.00 pm	86.4	86.0

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

EURO-CURRENCY INTEREST RATES

Nov 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	8⅞-8¾	8½-8⅜	8⅝-8½	8½-8⅜	8⅜-8¼	8¼-8⅛
Can. Dollar	12⅝-12⅛	12⅛-12¼	12⅛-11⅞	12⅛-11⅞	12-11⅞	11⅞-11⅝
D Guilder	8⅛-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅜-8¼	8⅝-8½
Sw. Franc	7¾-7½	7¾-7½	7⅞-7⅝	7⅞-7⅝	7⅞-7⅝	7⅞-7¾
Deutschmark	8-7¾	8-7¾	8⅛-8⅛	8¼-8⅛	8⅜-8¼	8⅝-8⅜
Fr. Franc	10⅛-10¼	10¼-10⅛	10⅜-10¼	10⅝-10⅜	10⅝-10⅜	10⅝-10⅜
Italian Lira	12-10	12¼-11¾	12⅝-12⅛	13-12½	12⅞-12½	13⅛-12⅞
B. Fr. (Fin)	9½-9¼	9⅞-9⅝	9⅞-9⅝	10⅛-9⅞	10⅛-9⅞	10⅛-9⅞
B. Fr. (Con)	9⅝-9⅜	10-9⅝	10⅛-9¾	10⅛-9¾	10⅛-9⅞	10⅛-9⅞
Yen	6¼-6⅛	6⅛-6¼	6¼-6⅛	6⅝-6¼	6⅝-6⅜	6⅝-6⅜
D.Krone	12⅛-11⅞	12¼-12⅛	12⅛-11⅞	12⅛-11¾	11⅞-11½	11⅞-11⅝
Asian $Sing	8⅞-8⅝	8⅝-8⅜	8⅞-8⅝	8½-8⅜	8⅜-8¼	8¼-8⅛

Long term Eurodollars: two years 8⅜-8¼ per cent; three years 8½-8⅜ per cent; four years 8⅝-8½ per cent; five years 8¾-8½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT- FORWARD AGAINST THE POUND

Nov.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5650 - 1.5715	1.5685 - 1.5695	0.84-0.82cpm	6.35	2.51-2.48pm	6.36
Canada	1.8230 - 1.8300	1.8260 - 1.8270	0.48-0.39cpm	2.86	1.32-1.15pm	2.70
Netherlands	3.14½ - 3.17½	3.14½ - 3.15½	1¾-1⅝cpm	6.43	5¼-4¾pm	6.35
Belgium	58.55 - 59.15	58.80 - 58.90	27-25cpm	5.30	75-71pm	4.96
Denmark	10.85 - 10.92	10.86 - 10.87	2¾-2¼orepm	2.83	8¼-7¼pm	2.88
Ireland	1.0580 - 1.0675	1.0600 - 1.0610	0.40-0.35cpm	4.24	0.95-0.85pm	3.39
W. Germany	2.79 - 2.81¼	2.79 - 2.79½	1⅝-1½pfpm	6.71	4½-4⅜pm	6.36
Portugal	242.80 - 244.65	243.00 - 244.00	2-45cdis	-1.16	103-214dis	-2.60
Spain	179.80 - 181.20	179.80 - 180.10	9-1cpm	0.33	7-6pm	0.14
Italy	2055½ - 2073	2057¼ - 2058¼	5-3lirepm	2.33	12-10pm	2.14
Norway	10.66¼ - 10.74	10.68½ - 10.69½	3-2⅝orepm	3.72	7½-6¾pm	2.69
France	9.52 - 9.58¼	9.52 - 9.53	3¾-3½cpm	4.65	10¼-9⅞pm	4.20
Sweden	9.99¼ - 10.05	10.01¼ - 10.02¼	3¼-2¾orepm	3.59	7⅝-7¼pm	2.97
Japan	223¼ - 224¼	223¾ - 224¾	1¼-1⅛ypm	8.70	4¼-4½pm	0.25
Austria	19.65 - 19.77	19.66 - 19.68	11¼-10¼gropm	6.49	31¾-25⅝pm	5.83
Switzerland	2.49 - 2.50½	2.49 - 2.50	1⅝-1½cpm	7.52	4½-4⅜pm	7.11
ECU	1.3750 - 1.3780	1.3750 - 1.3760	0.48-0.45cpm	4.06	1.42-1.37pm	4.06

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.85-58.95. Six-month forward dollar 4.90-4.85cpm. 12 months 8.80-8.70cpm. Correction for Nov.30 Ireland Close, 1.0565- 1.0575

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.30	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5650 - 1.5715	1.5685 - 1.5695	0.84-0.82cpm	6.35	2.51-2.48pm	6.36
Ireland†	1.4725 - 1.4785	1.4750 - 1.4760	0.29-0.24cpm	2.15	1.15-1.05pm	2.98
Canada	1.1625 - 1.1655	1.1630 - 1.1640	0.32-0.36cdis	-3.50	1.04-1.12dis	-3.71
Netherlands	2.0055 - 2.0225	2.0075 - 2.0085	0.04-0.02cpm	0.01	par-0.04dis	-0.01
Belgium	37.40 - 37.65	37.45 - 37.55	2.50-4.50cdis	-1.12	12.00-15.00dis	-1.44
Denmark	6.91¼ - 6.96	6.92¼ - 6.92¾	1.75-2.10oredis	-3.39	5.82-6.32dis	-3.56
W. Germany	1.7775 - 1.7930	1.7790 - 1.7800	0.10-0.08pfpm	0.60	0.13-0.10pm	0.26
Portugal	155.05 - 155.65	155.05 - 155.15	100-150cdis	-9.61	320-420dis	-9.48
Spain	114.65 - 115.30	114.70 - 114.80	60-70cdis	-6.78	185-195dis	-6.60
Italy	1311 - 1319¾	1311¼ - 1311¾	4.30-4.80liredis	-4.15	14.20-15.20dis	-4.47
Norway	6.80½ - 6.83½	6.81 - 6.81½	1.75-2.10oredis	-3.39	6.20-6.60dis	-3.76
France	6.06¼ - 6.11	6.06¾ - 6.07¼	0.88-0.95cdis	-1.80	3.35-3.50dis	-2.25
Sweden	6.36¾ - 6.40¼	6.38½ - 6.39	1.37-1.62oredis	-2.81	5.40-5.75dis	-3.50
Japan	142.40 - 142.95	142.05 - 142.95	0.27-0.25cpm	2.19	0.69-0.66pm	1.89
Austria	12.55¼ - 12.62¼	12.59 - 12.59½	0.25pm-0.45grdis	-0.10	0.20-1.60dis	-0.29
Switzerland	1.5865 - 1.5970	1.5900 - 1.5910	0.18-0.15cpm	1.24	0.29-0.24pm	0.67
ECU	1.1350 - 1.1430	1.1420 - 1.1430	0.22-0.21cpm	2.26	0.70-0.67pm	2.40

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.50-37.60.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.30	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7864	+0.77	+0.77	±1.5424
Danish Krone	7.85212	7.90683	+0.70	+0.70	±1.6419
German D-Mark	2.05853	2.03571	-1.11	-1.11	±1.1019
French Franc	6.90403	6.94703	+0.62	+0.62	±1.3719
Dutch Guilder	2.31943	2.29874	-0.89	-0.89	±1.5019
Irish Punt	0.768411	0.771836	+0.45	+0.45	±1.6689
Italian Lira	1483.58	1499.80	+1.09	+1.09	±4.0815
Spanish Peseta	133.804	131.171	-1.97	-1.97	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 36,251

A=Ask B=Bid C=Call P=Put

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2294.0	2295.0	2247.0	2258.0
Mar	2337.0	2333.0	2299.0	2301.0
Jun	2376.0			2340.0

Estimated volume 6481 (6306)
Previous day's open int. 32610 (33627)

MONEY MARKETS

Rates little changed

INTEREST RATES held steady on the London money market yesterday as the pound had a slightly firmer tone against the D-Mark and dollar. There were no other factors to move the market and trading remained quiet. Three-month sterling interbank was unchanged at 15¹⁄₁₆-15⅛ and one-year at 14¾-14⅞ per cent.

The market was faced with a large day-to-day credit shortage. This was initially put at £1,250m by the Bank of England, but was revised down to £1,200m in the afternoon. Total help of £1,184m was provided.

UK clearing bank base lending rate 15 per cent from October 5

An early round of assistance was offered and at that time the authorities bought £200m bills, for resale to the market on December 11, at a rate of 14⅞ per cent. In further operations before lunch, the Bank of England purchased £485m bills outright, by way of £5m Treasury bills in band 1 at 14⅞ per cent; £384m bank bills in band 1 at 14⅞ per cent; and £96m Treasury bills in band 2 at 14⅞ per cent.

In the afternoon the authorities bought another £376m bills outright, via £40m Treasury bills in band 1 at 14⅞ per cent; £68m bank bills in band 1 at 14⅞ per cent; £64m Treasury bills in band 2 at 14¾ per cent; and £204m bank bills in band 2 at 14¾ and 14⅞ per cent. Late assistance of around £120m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,075m, with Exchequer transactions absorbing £75m, a rise in the note circulation £110m and bank balances below target £10m.

In Frankfurt banks bid for call money to meet monthly reserve requirements at the Bundesbank. This demand for funds pushed call money up to 7.85 from 7.20 per cent. Average reserve holdings for the first 28 day's of the month were DM57.3bn, against a minimum requirement for the whole month of DM56.9bn, but the daily reserve figure slipped to only DM53.9bn on Tuesday.

The Bundesbank did not spring any surprises yesterday. A meeting of the central bank council left credit policies unchanged, and the terms of a two-tranche securities repurchase agreement tender were in line with expectations. A 33-day pact was offered at a fixed rate of 7.30 per cent and a 62-day agreement at variable rates. This facility will replace expiring agreements totalling DM19.0bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.30)	3 months US dollars		6 months US Dollars	
	bid 8¾	offer 8⅞	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime) — Treasury Bills and Bonds

Prime rate	10½	One month	8.46	Three year	7.76
Broker loan rate	9¾	Two month	7.57	Four year	7.79
Fed funds	8¾	Three month	7.85	Five year	7.75
Fed funds at intervention	8¾	Six month	7.80	Seven year	7.83
		One year	7.71	10-year	7.84
		Two year	7.75	30-year	7.91

Nov.30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.75-7.95	7.95-8.10	7.95-8.13	8.00-8.15	8.00-8.20	8.00
Paris	10⅛-10¼	10⅛-10⅜	10¼-10⅜	10⅜-10½	10¼-10⅛	9.50
Zurich	6⅞-7¼	7⅜-7¼	-	7⅝-7⅜	-	-
Amsterdam	8.10-8.20	8.30-8.40	-	8.40-8.50	-	-
Tokyo	6¼-6⅛	6⅞-6⅝	-	6⅝-6⅞	-	-
Milan	12¼-12⅝	12⅞-13⅛	-	12⅞-13⅛	-	-
Brussels	7.90	9⅞-10	-	9⅞-10⅛	-	-
Dublin	11-11¼	10⅞-11	11¼-11⅜	11⅝-11⅞	12-12⅛	-

LONDON MONEY RATES

Nov 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15¼	15	15⅛	15⅛	15⅛	14⅞
Interbank Bid	13	14⅞	15⅛	15⅛	15	14¾
Sterling CDs	-	-	15⅛	15⅛	15⅛	14¾
Local Authority Deps	15	15	15	15⅛	15	14¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	16½	14⅞	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅛	15⅛	14⅞
Finance House Deposits	-	-	15⅛	15¼	15¼	14⅞
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14⅞	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅞	15⅜	14⅞	-
Dollar CDs	-	-	8.67	8.37	8.20	8.12
SDR Linked Dep. Offer	-	-	9¼	9¼	9¼	9
SDR Linked Dep. Bid	-	-	8⅞	8⅞	8⅞	8¾
ECU Linked Dep. Offer	-	-	10⅞	11	11	10⅞
ECU Linked Dep. Bid	-	-	10⅞	10⅞	10⅞	10⅞

Treasury Bills (sell): one-month 14¼ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills: Average tender rate of discount 14.4453 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November.30 ,1989 . Agreed rates for period December,26 1989 to January,23 , 1990, Scheme I: 15.87 p.c., Schemes II & III: 16.43 p.c. Reference rate for period Nov.1,1989 to November,30 . 1989, Scheme IV&V: 15.148 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1 . 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 . Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

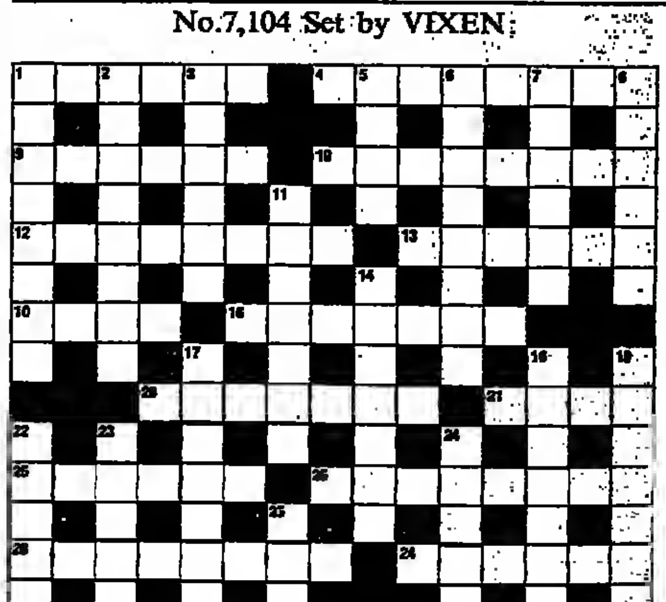
	%		%		%
ABN Bank	15	Clydesdale Bank	15	NatWestminster	15
Adam & Company	15	Comm. Bk. N. East	15	Northern Bank Ltd	15
Allied Trust Bank	15	Co-operative Bank	*15	Norwich Gen. Trust	15
Allied Irish Bank	15	Coutts & Co	15	PRIVATbanken Limited	15
● Henry Ansbacher	15	Cyprus Popular Bk	15	Provincial Bank PLC	16
Associates Cap Corp	14	Dunbar Bank PLC	15	R. Raphael & Sons	15
Authority Bank	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
● B & C Merchant Bank	15	Equatorial Bank plc	15	Royal Bk of Scotland	15
Bank of Baroda	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Banco Bilbao Vizcaya	15	Financial & Gen. Bank	15	● Smith & Williams Secs.	15
Bank Hapoalim	15	First National Bank Plc.	16	Standard Chartered	15
Bank Credit & Comm.	15	● Robert Fleming & Co.	15	TSB	15
Bank of Cyprus	15	Robert Fraser & Ptnrs.	15½	United Bk of Kuwait	15
Bank of Ireland	15	Girobank	15	United Mizrahi Bank	15
Bank of India	15	● Guinness Mahon	15	Unity Trust Bank Plc	15
Bank of Scotland	15	HFC Bank plc	15	Western Trust	15
Banque Belge Ltd	15	● Hambros Bank	15	Westpac Bank Corp.	15
Barclays Bank	15	Hampshire Trust Plc	15½	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	Heritable & Gen Inv Bnk.	15	Yorkshire Bank	15
Brit Bk of Mid East	15	● Hill Samuel	§15		
● Brown Shipley	15	C. Hoare & Co.	15		
Business Mtge Bank PLC	15½	Hongkong & Shangh.	15		
Ct. Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
		Midland Bank	15		
		Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit now 5.9% Saverise 8.5%. Top Tier-£10,000+ instant access 12.8% § Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

JOTTER PAD

CROSSWORD

No.7,104 Set by VIXEN



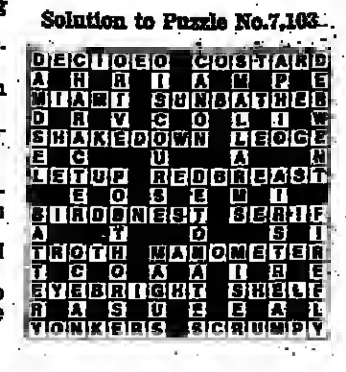
ACROSS

1 Grass making charge about skinhead and copper (6)
4 Very friendly at getting in eventually (8)
9 Directed some of the police to be offensive (6)
10 Undertaking to read a brochure (8)
12 Deposit possibly a hundred – and it can be really hard! (8)
13 Make light of this (6)
15 A herb that's never used (4)
16 Few cut in front of a driver lacking experience (7)
20 Don't stop the wrong persons (5,2)
21 Some of the most unlikely people may be overcome (4)
25 Casual shirt – a faux pas causing consternation (6)
26 Transport for 8 (6)
28 A top man holds nothing against the department (8)
29 Give a fellow tea freshly-brewed (6)
30 They've raised a point with certain ministers (8)
31 Direct involvement, in confidence (6)

DOWN

1 A threat to workers down-under inflamed a politician (8)
2 Give voice repeatedly and gaol will be the result! (8)
3 Agreement giving rise to no offence – most acceptable (6)
5 Recess for which approval has been refused (4)
6 Altering components as necessary (8)
7 The plant good accountants back (6)
8 26 of course (6)
11 Permission given to break silence (7)
14 Reaction at being tied up – not for the first time (7)
17 He's fired with enthusiasm in quite the wrong way (8)
18 Regulation colours (8)
19 The pursuit of profit (8)
22 The chief wants petals strewn (6)
23 Stand for Oriental poet (6)
24 Men with guns upset over obstinate determination (6)
27 There's only a little space required for such a tree (4)

Solution to Puzzle No.7,103



WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices November 29

MONTREAL
Closing prices November 29

INDICES

NEW YORK

DOW JONES	Nov. 29	Nov. 28	Nov. 27	Nov. 24	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2688.78	2702.01	2694.97	2675.55	2791.41 (9/10)	2144.64 (3/1)	2791.41 (9/10/89)	41.22 (2/7/32)
Home Bonds	93.58	93.53	93.53	93.54	94.15 (2/8)	87.35 (23/3)	—	—
Transport	1167.50	1177.28	1178.34	1176.03	1532.01 (5/9)	959.05 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	223.09	223.03	222.46	221.58	223.09 (29/11)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2713.10 (2715.02) Low 2677.47 (2677.26)

STANDARD AND POOR'S	Nov. 29	Nov. 28	Nov. 27	Nov. 24	1989 HIGH	1989 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	343.60	345.77	345.61	343.97	359.80 (9/10)	275.31 (3/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	392.67	395.27	394.88	392.98	410.49 (9/10)	318.66 (3/1)	410.49 (9/10/89)	3.62 (21/6/32)
Financial	32.44	32.79	32.83	32.70	35.24 (9/10)	24.30 (3/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	190.25	191.34	191.13	190.29	199.34 (9/10)	154.98 (3/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	373.64	375.10	374.04	373.14	397.03 (10/10)	305.24 (3/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	455.81	456.66	456.17	456.63	485.73 (9/10)	378.56 (3/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov 24	Nov 17	Nov 10	year ago (approx.)
Dow Industrial Div. Yield	3.97	3.95	3.99	3.82
	Nov 22	Nov 15	Nov 8	year ago (approx.)
S & P Industrial div. yield	2.98	2.98	3.00	3.27
S & P Indl. P/E ratio	14.51	14.40	14.29	12.39

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Gt West Fin	2,810,300	18⅛	- 1⅛
Texas Utilities	2,760,000	34	- ⅛
Chevron	2,738,400	68⅛	+ ⅛
BankAmerica	2,478,300	27⅛	- 1⅛
Chem Bkg Corp	2,268,300	32⅛	- ⅛
Philip Morris	2,218,700	41⅞	+ ⅜
Penn Central	2,041,800	25⅛	- ⅛
Philadel Elect	1,636,300	22⅛	+ ⅛
LA Gear Inc	1,471,000	35⅞	- 5½
Telecom USA	1,415,500	25	- 5⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 28	Nov 28	Nov 27
New York	147.270	153.770	149.390
Amex	11.562	12.543	11.289
NASDAQ	122.008	125.338	108.176
Issues Traded	1,953	1,986	1,970
Rises	577	819	859
Falls	897	637	596
Unchanged	479	530	515
New Highs	47	56	75
New Lows	43	35	28

CANADA

TORONTO	Nov 29	Nov 28	Nov 27	Nov 24	1989 HIGH	1989 LOW
Metals & Minerals	3362.41	3346.85	3339.24	3342.52	3919.2 (1/9)	3207.5 (3/1)
Composite	3946.65	3926.79	3930.70	3933.48	4037.8 (6/10)	3350.5 (6/1)
MONTREAL Portfolio	1997.39	1992.66	1997.73	2001.45	2069.68(10/10)	1677.48 (3/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD						
M.S. Capital Intl. (1/1/70)	(u)	546.6	543.9	543.6	551.2 (3/8)	487.6 (13/6)

**Saturday Nov.25: Taiwan Weighted Price: 9773.56. Korea Comp Ex. 905.89.
‡ Subject to official recalculation.
Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Thursday November 30 1989

	Stocks Traded	Closing Prices	Change on day
Sumitomo Metal	68.9m	884	+25
Nippon Steel	87.4m	845	unc
NKK	41.6m	655	+10
Marubeni	38.4m	1,050	+55
Mitsui	36.7m	1,280	+60
Toshiba	27.2m	1,300	+20
Kobe Steel	17.9m	845	+7
C.Itoh	17.1m	1,150	+50
Mitsubishi	15.9m	1,770	+70
Sharp	14.9m	1,590	+40

2pm prices November 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 41

هكذا عن الأصل

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

– X – Y – Z –

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]		Xerox								
44¼	23¾	XTRA	.72	2.9		30	25¼	24⅞	25⅛	+ ⅛
23	21⅞	XTRA pf1.95		8.7		18	22¼	22¼	[illegible]	
4⅞	[illegible]	Zapata				3247	2⅛	2⅛	2⅛	+ ⅛
[illegible]		Zemex	.80	2.2						
21⅛	11⅞	ZenithE				326	12⅞	12⅛	12⅛	− ⅛
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2pm prices November 30

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

2pm prices November 30

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES

Friday December 1 1989

AMERICA

Dow rises despite weak bank issues

Wall Street

A DULL day on Wall Street saw US equities moving modestly higher in light trading in the absence of any unexpected economic news, *writes Karen Zagor in New York.*

At 2 pm, the Dow Jones Industrial Average stood 11.95 points higher at 2,700.73 on volume on the New York Stock Exchange of less than 95m shares. On Wednesday, the Dow fell 13.23 points.

Other key stock market indices were all higher at midsession yesterday. The Standard & Poor'e 500 index, the most important benchmark for investors, was quoted 1.11 points higher at 344.71. The New York Stock Exchange Composite rose 0.50 points to 190.75. Only the American Exchange Composite wes lower at 373.52, down 0.12 points.

The stock market was supported by gains in the US debt market. At midday, the Treasury's bellwether 30-year bond was up ½ point at 102⅛, yielding 7.9 per cent.

Money centre bank ehares were under pressure for a second day, reflecting worries about the impact of new Federal regulatione on their results and uncertainty about the prospects for interest rates.

At midday, Citicorp fell $⅞ to $29⅞, Chase Manhattan was $⅞ lower at $36¼, Manufacturers Hanover dropped $1⅞ to $34⅞ and the Bank of New York lost $1⅛ to $40. The Bank of New England dropped $1⅞ to $12⅞. Moody'e Investors Service has placed the credit ratings for the bank review for possible downgrade after the company's recent announcemnt that it might take e substantial loss in the fourth quarter.

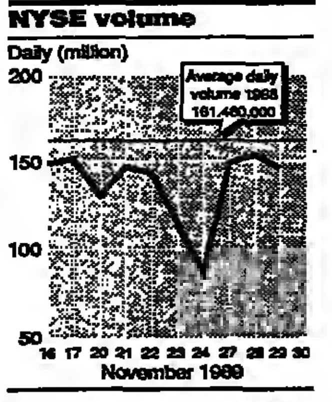
In the retail sector, K-Mart gained $¼ to $35¼ after reporting a 7.2 per cent increase in November sales. Wal-Mart added $⅞ to $43⅞ after reporting an 11 per cent increase in store sales for the first 10 months. Sears was unchanged at $38⅞ after reporting sluggish sales. The nation's biggest retailer said comparable store sales were 0.4 per cent higher than e year earlier.

USX, the hig steel maker, rose $⅞ to $34⅞ on news that Mr Carl Icahn had filed for anti-trust clearance to raise his stake in the company to more than 25 per cent from 13.3 per cent. Telecom USA, was unchanged at $25 yesterday morning in extremely heavy trading. The issue plummeted $5⅞ on Wednesday after the company said it would have disappointing yearly earnings.

Schering-Plough improved $1 to $81¼ after the company said it expected 1990 per share net income to rise by 19 per cent.

UAL, the perennial takeover issue, rose $1½ to $162⅞ after the airline company said it was still looking at the possibility of an employee buy-out, among other options.

NYSE volume



Among other airline issues, Pan Am was unchanged at $2⅞, AMR, parent of American Airlines, was $⅞ lower at $63⅞ and Delta Air Lines rose $¼ to $68⅞.

Gerber Products fell $⅞ to $48¼ after the Michigan-based company said it would take e one-time charge against third-quarter net earnings of 12 cents a share, reflecting costs associated with closing a baby food plant in Canada.

Chevron fell $⅞ to $68¼ in a second day of heavy trading. The company would not comment on the stock's activity.

Silk Greenhouse plunged $7¼ to $10 in active over-the-counter trading. The company reported flat earnings for the quarter ended October and said earnings in the current quarter would be hit by expenses associated with store openings.

American Medical International was unchanged at $6⅞. The company reported a fourth-quarter loss of 75 cents e share after a charge compared with a net gain a year earlier.

Canada

THIN TRADING in Toronto stocks left the composite index slipping 9.3 to 3,937.4 on volume of 15.2m. Declines led advances by 260 to 183.

Oil and gas led the decline, due mainly to an expected fall in world oil prices following this week's Opec agreement.

Third-quarter earnings from the National Bank of Canada were disappointing and hurt banking shares.

A north-south divide on earnings

William Cochrane reviews a forecast for south-east Asian prospects

A NORTH versus south *hiatus* in south-east Asia has taken its etock markets into a period of transition. This should be positive for share prices, but the outlook for earnings is mixed, and enthusiasm for some countries should be tempered with cantion elsewhere, said an international stockbroking group yesterday.

A study of the seven top markets in the region, exclnding Tokyo, was launched in London this week by Mr Alan Hargreaves, director of research for Hoare Govett Asia, part of the Security Pacific Hoare Govett group. In an overview, Mr Hargreaves said that, with wealth and strong currencies concentrated in the north of the region, productive capacity was moving to the south.

In the north, that suggested contraction of one sort or another: in Hong Kong, slower economic growth next year; in Taiwan, a 5 per cent decline in corporate earnings may be on the cards for 1990; and in South Korea, real earnings, stripping out inflation, are also likely to decrease.

To the south, where the delisting of Malaysian companies from the Singapore stock exchange has bsen a prime *topic* in the fourth quarter of 1989, Hoare Govett has extracted Malaysian component companies from Singapore stock market ratios, ending with the latter on a historic price earnings ratio of 16.5 – falling to a prospective 13.8 in 1990. "This makes [it] the region's second cheapest market," says the study.

Malaysia and Thailand lcok good, too. While cantioning the unwary about a forecast 25 per cent drop in earnings in the important Malaysian plantations sector, the research team is looking for e 20 per cent rise in industrial and commercial earnings there in 1990, after a gain of more than 30 per cent in 1989.

Thailand, in 1990, is expected to post the strongest economic growth in the region; this, like Malaysia's, reflects very high levels of inbound foreign capital and the maintenance of a relatively low cost base.

The northern action is likely to be different. Mr Hargreaves yesterday forecast e trend towards using relatively highly valued paper as a means of buying assets.

He listed three key develop*ments this year:*

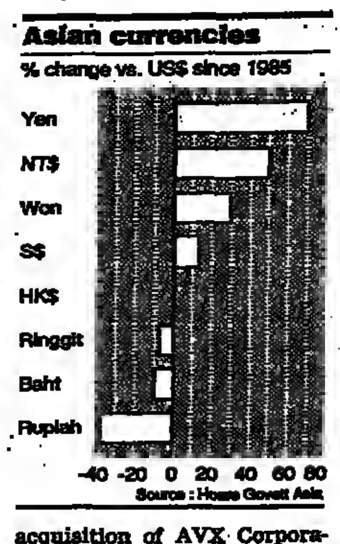
- In May, Kyocera, the Japanese ceramic technology group, part-funded its US$600m acquisition of AVX Corporation of the US through the direct swap of Kyocera ADRs for AVX stock. The bidder was on a p/e of 39; and its American target on just 9.
- In August, the Korean specialist steel producer, Sammi, bought two plants in Canada and two in the US, issuing US$50m in bonds to help pay *for them. Attached to* the bonds were warrants convertible into Sammi shares at an effective 85 per cent premium, meaning that the convertible paper was on a p/e ratio of about 52.
- In Taiwan, Yuen Foong Yn has proposed something very similar, with the issue of bonds convertible at a 50 per cent pre*mium into* YFY paper already trading on a multiple of 76; this pays for a US acquisition and a new Canadian facility.

"The Kyocera transaction was the first purchase of US equity *directly funded* through the trade of Japanese paper," said Mr Hargreaves. "The Sammi deal marked the first Korean CB epecifically launched to raise funds to buy UK assets. The YFY bond was the first Taiwan convertible ever."

The team is not recommending, on that account, investment in the north of the region; indeed, there is the long-term risk that the predators will be marked down, and that "target" US stocks could rise.

However, it sees scope in South Korea, where profits should recover from strikes and share prices revive after a heavy year for cash calls in 1989. New international issues should reveal opportunities for exposure in a market which has imposed severe restrictions on foreign participation.

Asian currencies



EUROPE

West Germany refuses to be thrown off course

WEST GERMAN shares recovered from early losses, which had followed news of the murder of the Deutsche Bank chairman. Other bourses were also stronger, with the exception of Italy and Spain, *writes Our Markets Staff.*

FRANKFURT fell initially, stunned by the killing of the Deutsche Bank chairman, Mr Alfred Herrhausen, and the DAX index dropped 10 points at the opening. Thereafter it rallied, as foreign investors maintained their interest and domestic buyers sought to show that terrorism could not shut the market down.

The index rose throughout the rest of the session, to end 15.16 points higher at 1,577.43 as the Bundesbank left key interest rates unchanged. The DAX is now at its highest level since the 13 per cent plunge on October 16, and is only 11.85 below its close on October 13.

The FAZ index rose 4.60 to 653.61. Volume stayed high at DM5.5bn, compared with DM5.7bn on Wednesday, led again by Siemens in turnover of DM903m, and Deutsche Bank itself in DM771m.

Siemens rose DM13.50 to DM630. Other big risers included Rheinisch-Westfälisches Elektrizitätswerk (RWE), which jumped DM12.50 to DM268 on rumours of a reorganisation. Engineering group Mannesmann made DM20 to DM288 ex rights, on speculation that its syndicate is going to win a cellular telephone licence from the Bundespost.

Banks rose, Deutsche eventually at DM704, up DM2.20. Dresdner Bank, which postponed the scheduled release of its 10-month results because of Mr Herrhausen's death, put on DM4 to DM366 and Commerzbank added DM2.50 to DM265.50.

In addition, the commodity group, Preussag, climbed DM5.50 to DM358 on what some traders called market-tending, before a rights issue next month.

Against the trend, Nixdorf slumped DM10.50 to DM285.50, following Wednesday'e DM24 drop on reports that potential bidders for the company thought it was worth much less than that.

PARIS remained positive, after Finance Minister Pierre Beregovoy allayed fears of higher interest rates. It was also helped by a firmer opening on Wall Street. Mr Beregovoy said that he believed that the franc had stood up well to the recent swings on the currency markets and that there was no need to alter the level of interest rates.

The OMF 50 index picked up 5.09 to 516.93 and the CAC 40 rose 18.13 to 1,890.43. Activity was believed to have quietened down after Wednesday's turnover of FFr2.1bn.

Suez was strong again, rising FFr8.30 to FFr427.80 on active trading of 472,400 shares. Yesterday, it denied press reports that it was intending to make a bid for the UK's Hambros, in which its new associate, Baltica Holding of Denmark, has a 10 per cent stake.

Paribas slipped FFr1 to FFr610 on the last day of its hostile bid for Navigation Mixte, which was unchanged at FFr1,587. One analyst said that the two opposing camps seemed to have achieved parity, but the outcome of the bid would not be known until later this month.

Active trading left Eurotunnel FFr2.05 higher at FFr52 after the resignation of a director on Wednesday.

AMSTERDAM attracted selective demand, mostly from individual investors, and closed higher in moderate trading. The CBS tendency index added 0.9 to 183.6.

Insurers were firmer after analysts revised upwards their full-year profits forecasts after higher-than-expected nine-month figures. Aegon rose Fl 1.10 to Fl 112.60, Amev added 20 cents to Fl 62 and NatNed gained 80 cents to Fl 70.70.

ZURICH recovered after a hesitant start which had seen prices marked slightly lower, mirroring the movement of the Frankfurt bourse. By midsession, prices had rebounded although volumes remained thin. The Credit Suisse index closed up 3.3 at 623.3.

The chemicals sector attracted most attention, with Ciba-Geigy rising SFr45 to SFr3,790 and Sandoz up SFr275 at SFr11,350. Other blue chips were also in demand.

MILAN weakened in sluggish trading, which some dealers attributed to strikes in the Italian bank sector. The Comit index fell 3.41 to 664.91.

Enimont was again the centre of buying activity, with Ferruzzi a notable purchaser, and closed against the market trend up L5 at L1,510. Ferruzzi was again the focus of speculation on a rumour, denied by both parties, that it planned to sell its Fondiaria subsidiary to Generali.

MADRID continued to pull in the profit-takers after its recent gains. Construction stocks were active, with Cristaleria down 25 percentage points at 1,970 per cent of par and Asland up 22 at 1,055. The general index lost 0.96 to 303.60.

STOCKHOLM edged upwards in slow trading. The Affärsvärlden General index closed up 19.6 at 1,171.8. Saab free B shares climbed SKr10 to 345 on the back of its joint venture talks with Fiat.

The day's largest rise was by Astra free B shares, which gained SKr13 to SKr685 because of a large Soviet drug order.

Trading in Beijer Industries was suspended, following company suspicions over dealings in its stock.

OSLO closed slightly ahead amid buyer uncertainty over interest rates. The all-share index rose 3.15 to 485.60 in trading worth NKr355.6m.

HELSINKI moved npwards for the third day in succession, the Unitas all-share index rising 3 to 603.3.

SOUTH AFRICA

THERE were mixed fortunes for Johannesburg gold shares, which rallied after initially falling.

The JSE all-gold index closed at a preliminary 2,026, down 5 on the day, but well up from a morning low of 1,990.

ASIA PACIFIC

Caution appears as Nikkei hits seventh peak

Tokyo

UNDAUNTED by the sharp rise in share prices, investors continued their round of selective buying, which, together with an inflow of index funds, took the Nikkei average to its seventh record, *writes Michiyo Nakamoto in Tokyo.*

Buying was broader-based than of late and advances led declines by 546 to 344, while 234 issues were unchanged. The Nikkei average climbed steadily to a high of 37,268.79 and dipped to a low of 37,019.21 before closing up 247.33 at 37,268.79.

The Topix index of all listed share gained 13.56 to another record 2,829.54 and, in London trading, the ISE/Nikkei 50 index rose 3.92 to 2,150.74.

However, one measure of caution appeared to creep into the market, in a decline in turnover to 1.1bn shares from 1.6bn on Wednesday. Some market participants expressed concern that equities were continuing to rise while short-term interest rates remained high.

Large-capital issues were the centre of attraction, with steels once again widely traded. Sumitomo Metal Industries topped the volumes list with 68m shares and gained Y23 to Y864. Nippon Steel followed with volume at 67.4m, but ended unchanged at Y845. NKK was third with 31.6m shares and added Y10 to Y855.

Their popularity was somewhat overshadowed by high-technology issues, particularly the electricals. While some institutional investors hesitated to buy large-capital steels and shipbuildings, partly on the interest rate argument, they found large-capital electricals more enticing.

In that category, Toshiba rose Y20 to Y1,300 in active trading. Investors thought it had rested for long enough and were optimistic about its business prospects as well as the redevelopment of its plant in Kawasaki, just outside Tokyo.

The east-west trade story returned, with news that several Japanese companies were to participate in a Soviet joint venture to build a petrochemical plant in Siberia. Two trading houses involved, Mitsui and Mitsubishi, saw active trading, rising Y60 to Y1,280 and Y70 to Y1,770 respectively. Marubeni, a trading company with ties with communist countries, was also favoured and gained Y35 to Y1,050.

Buying was kept up in Osaka, where the OSE average firmed a further 64.88 to a record 38,159.23. The market capitalisation of the exchange topped Y500 trillion (million million) for the first time on Wednesday, reflecting the recent popularity of Osaka area businesses. Yesterday, however, volume almost halved to 133m shares from 249.5m on Wednesday.

Roundup

THE MORE established markets of the region had a quiet day, with most finding themselves a little higher. Elsewhere, Taiwan went into retreat again, while Sonth Korea showed a bit more life.

TAIWAN fell on profit-taking, rather than something more fundamental. The weighted index closed 227.72, or 2.4 per cent lower at 402.56, after the previous day's record rise and Tuesday's worst-ever fall. Uncertainty before elections tomorrow helped to dampen sentiment.

The decline came in spite of the widely expected news that the Government will cut the sales tax on individual stock transactions to 0.6 per cent from 1.5 per cent.

Volume rose to 1bn shares, valued at T$125bn from Wednesday's 806m and T$99.7bn.

SEOUL made healthy gains amid speculation that the minimum selling prices of newly offered stocks could soon be lowered from 90 per cent of market prices to about 80 per cent.

Rumours of the discovery of an oil well off the South Korean coast also encouraged buying. The composite index rose 8.33 to 906.33 in moderate trading.

AUSTRALIA edged higher in a cautious day's trading, although hopes of a cut in interest rates were stronger. The All Ordinaries index added 3.7 to 1,611.6, after falling back later.

Options-related trading swelled turnover to 109m shares worth A$350m, from 87m and A$192m.

Bell Resources fell 14 cents to 52 cents; there are doubts over its brewing deal with its associate, Bond Corp.

NEW ZEALAND drifted lower in an uninspired session, as the Barclays index shed 7.26 to 2,064.67. Air New Zealand shares lost 9 cents to NZ$2.47 — their lowest level since their issue last month at NZ$2.60 — on news of a decline in six-month profits.

SINGAPORE finished mixed, as institutional demand lifted shares off their early lows. The Straits Times Industrial index closed 1.15 up at 1,411.26, after a loss of 4.45 points in morning trading, and volume shrank to 61m shares from the previous day's 87m.

HONG KONG also recovered some ground after early losses, as bargain-hunters moved in, with the Hang Seng index ending 3.13 down at 2,748.35. Turnover was very thin at HK$601m, down from HK$674m on Wednesday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sacha & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 29 1989						TUESDAY NOVEMBER 28 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	144.19	−0.2	136.43	122.85	+0.8	5.53	144.45	137.06	122.16	160.41	128.28	146.42
Austria (16)	148.67	+0.8	140.66	137.64	+0.0	1.77	147.51	139.96	137.65	172.22	92.84	97.98
Belgium (63)	148.04	+0.5	140.07	136.72	+0.0	4.06	147.26	139.73	136.73	148.04	125.58	133.15
Canada (122)	149.67	+0.5	141.61	126.32	+0.6	3.22	148.90	141.28	125.86	154.17	124.67	121.72
Denmark (36)	230.75	+0.4	218.32	216.94	−0.4	1.46	229.90	218.14	217.86	231.98	165.35	153.56
Finland (26)	120.97	+0.7	114.45	106.55	+0.2	2.85	120.14	114.00	106.33	159.18	119.63	138.23
France (126)	139.68	+1.0	132.18	133.22	+0.6	2.79	138.33	131.26	132.42	139.94	112.57	110.77
West Germany (96)	104.63	+1.4	99.00	96.96	+1.1	2.15	103.20	97.92	95.87	104.63	79.56	86.36
Hong Kong (48)	115.99	−0.6	109.74	116.35	−0.6	4.69	116.64	110.67	117.00	140.33	86.41	110.10
Ireland (17)	166.17	+1.6	157.22	158.10	+1.3	2.80	163.57	155.20	156.10	166.69	125.00	130.24
Italy (97)	92.39	+0.2	87.41	90.89	+0.1	2.51	92.18	87.45	90.80	96.73	74.97	85.43
Japan (455)	195.96	+1.5	185.42	176.53	+0.7	0.48	193.04	183.17	175.34	200.11	164.22	190.15
Malaysia (36)	206.02	+0.9	194.92	214.47	+0.8	2.47	204.23	193.79	212.85	209.22	143.35	140.55
Mexico (13)	285.50	−0.3	270.12	828.44	−0.5	0.63	286.28	271.64	832.74	326.81	158.32	179.36
Netherland (43)	131.78	+0.4	124.68	120.99	+0.2	4.40	131.24	124.52	120.78	131.78	110.63	109.52
New Zealand (18)	75.42	+0.7	71.36	67.90	+0.6	5.26	74.87	71.04	67.50	88.18	62.64	70.53
Norway (24)	178.35	+1.7	168.75	164.80	+1.3	1.64	175.29	166.32	162.62	198.39	139.92	127.15
Singapore (26)	164.72	+0.5	155.84	148.09	+0.2	2.02	163.95	155.58	147.78	170.62	124.57	119.93
South Africa (60)	189.28	+0.1	160.16	145.98	−0.7	6.90	189.11	160.46	146.98	173.29	115.35	122.81
Spain (43)	158.39	+0.4	149.85	138.05	−0.2	3.79	157.81	149.74	138.32	169.76	143.14	151.99
Sweden (35)	169.63	+1.7	160.49	160.15	+1.3	2.14	166.84	158.31	158.07	168.94	138.45	136.00
Switzerland (64)	91.56	+1.2	86.63	90.14	+0.8	2.10	90.44	85.81	89.45	94.19	67.81	79.33
United Kingdom (305)	144.12	+0.8	136.35	136.35	+0.6	4.52	142.91	135.60	135.60	158.41	139.26	138.95
USA (545)	139.47	−0.6	131.96	139.47	−0.6	3.33	140.32	133.14	140.32	146.29	112.13	111.45
Europe (984)	128.95	+0.9	122.01	120.94	+0.6	3.47	127.63	121.29	120.27	132.95	112.63	115.01
Nordic (121)	170.99	+1.1	151.79	154.41	+0.5	1.84	169.15	160.49	153.57	178.36	137.95	132.13
Pacific Basin (668)	190.90	+1.4	180.61	172.04	+0.9	0.70	188.20	178.58	170.93	194.72	160.44	185.11
Euro−Pacific (1662)	166.19	+1.3	157.24	151.91	+0.8	1.58	164.13	155.74	150.67	166.98	141.56	157.05
North America (667)	139.98	−0.5	132.44	138.65	−0.6	3.32	140.73	133.53	139.40	146.66	112.79	111.99
Europe Ex. UK (689)	118.52	+0.9	112.14	111.45	+0.6	2.78	117.47	111.46	110.84	118.52	96.30	99.97
Pacific Ex. Japan (213)	130.12	−0.1	123.11	116.71	+0.2	4.95	130.31	123.64	116.45	140.05	111.93	124.88
World Ex. US (1857)	165.72	+1.2	156.80	150.92	+0.6	1.65	163.73	155.35	150.02	166.35	141.49	155.49
World Ex. UK (2097)	156.41	+0.9	147.99	148.09	+0.2	1.96	155.44	147.49	147.82	156.41	136.98	138.58
World Ex. So. Af. (2342)	155.21	+0.6	146.85	146.99	+0.2	2.16	154.21	146.33	146.66	155.92	136.67	136.69
World Ex. Japan (1947)	135.87	+0.0	128.55	131.71	−0.1	3.45	135.87	128.92	131.87	140.43	114.51	113.78
The World Index (2402)	155.29	+0.8	146.93	146.97	+0.2	2.18	154.30	146.41	146.66	155.89	135.68	136.59

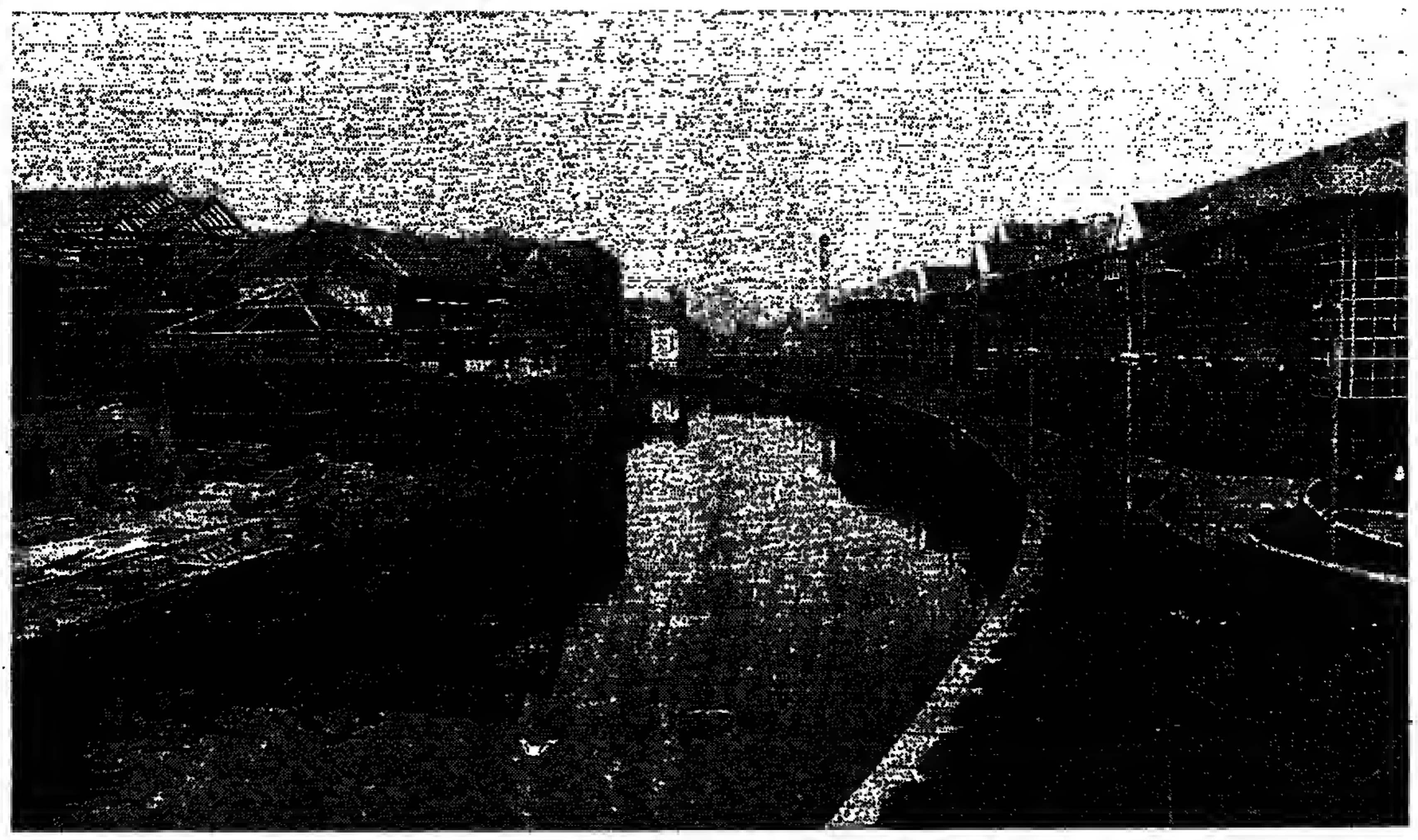
Latest prices were unavailable for this edition.

SECTION III

FINANCIAL TIMES SURVEY

Geography is on the side of Leeds as it strives to displace Manchester as the capital of northern England. Combined quality of life and work is attracting thousands of professionals, but Leeds still has much to do by way of improvement. Ian Hamilton Fazey reports.

Right place, right time



In the heart of Leeds, Asda's new headquarters (right) have transformed confidence on the once-decaying banks of the River Aire.

LEEDS

WHEN THE Departments of Health and Social Security decided to relocate their headquarters staff and 2,000 administrative and clerical jobs from the Elephant and Castle in London, the choice narrowed to Leeds or Manchester.

Two weeks ago, Leeds was declared the winner. The move will begin in 1991 and take two years. Leeds will probably have emerged even more obviously as the choice by then. The reasons reveal much about the way the north of England's economy is restructuring under market and political forces.

Leeds has always had two big northern rivals in Sheffield and Manchester. It vied with Sheffield to be the most important city in Yorkshire, but the Pennines ensured that the north needed a regional capital for each side.

In the last 10 years, the trans-Pennine M62 motorway between Liverpool and Hull has changed that. Leeds and Manchester are competing for supremacy now. Winning two big Government departments was a significant score for the Yorkshire city.

The final choice was made by civil servants in key jobs who will have to move. The sprawling Manchester conurbation of 2.5m people lost out to the more compact city of Leeds with its 700,000 population and easy access to the up-market commuter homelands of North Yorkshire.

Another big factor, however, was distance from London — and not in miles but time. The east coast railway lines are straighter and faster and the journey from Manchester is already half an hour slower.

British Rail now plans to clip another 20 minutes off the journey from Leeds to King's Cross, reducing it to only 1 hour 45 minutes.

Moreover, the new Government offices are likely to be built on the site of the old Queens Hall, almost next door to the main railway station. Mr Mel Burrell, chief executive of the Leeds City Development Company, says that an escalator will provide a direct link to the platform.

Geography is also on Leeds' side. It is slap bang in the middle of northern England and at the end of the M1. It is also near where the A1 — linking London and Edinburgh — crosses the M62. An A1-M1 link is planned to improve this infrastructure further.

Leeds is also 35 miles nearer the Humber ports and the rest of Europe than is Manchester. Mr Peter Coles-Johnson, chief executive of Leeds chamber of commerce says: "The key to our future is not our relationship with the north of England or the UK. The European dimension is much more important.

"We have been going through a 10-year transformation and are entering another. There is a movement of the power base along the M62 to be nearer Europe. Coupled with this is the rise of the Humber ports."

The Channel Tunnel is also presenting Leeds with a significant opportunity. Again, geography has favoured the city, so that the main railhead will be at Stourton, near where the motorways meet.

Mr Coles-Johnson sees it as the route for trade with southern Europe, with northern Europe served from the Humber.

If Europe is a providing a new driving force for change and growth, however, it already had a firm base to build on because of its mixed economy.

Mr John Hardman, chairman of Asda — at £3bn turnover, the city's biggest company — says: "Since I come from Liverpool, which is almost the opposite, I can say that one of the advantages Leeds has had is that it has never been dependent on one or two industries.

"There is a very good mix of service and manufacturing industries which has enabled the city to avoid the worst of every recession."

Mr Jon Trickett, leader of the Labour-controlled city council, says: "This was always a city of traders because of its location, so flexibility and adaptability come naturally to it. It has a heterogeneity it can exploit."

Indeed, the heterogeneity has been increasing steadily. Part derives from structure — the more smaller self-determining businesses there are, the more will be produced by supervisory managers spinning out to start on their own, as research by 3i has proved.

Mr Charles Monck, head of the Yorkshire and Humberside Development Association, says that 68 per cent of businesses in the area employ under 500 people and 31 per cent employ fewer than 100.

Of these, 63 per cent are controlled locally, 45 per cent are locally owned, 28 per cent are independent companies, 17 per cent are parents, 18 per cent are subsidiaries with Yorkshire parents. Only 37 per cent are controlled from outside the region.

The top tier of the region's private sector is about 130 quoted companies which have headquarters there. This number remains constant as newcomers almost exactly balance those dropping out through takeover or going private again.

This spread of quoted companies in the region creates a demand for locally based financial and professional services. These have now concentrated in Leeds, some moving by merger or expansion from other cities, and are growing rapidly.

Mr Monck says that in 1987 there were nearly 146,000 people employed in Yorkshire and Humberside banking, finance and insurance, or 8 per cent of the region's total workforce. The bulk are in Leeds.

More important, their numbers grew by 49,800 in the six years from 1981. Growth has since accelerated in some professions, most notably in legal services, where Leeds is probably now the most significant centre outside London.

The last reliable count, in 1987, showed 11,400 people in the region's legal sector. Since then there have been several big mergers, an increasing concentration of firms into Leeds and twofold and even threefold organic growth in some.

Many partners are refugees from London who have found a quality of work to match the quality of life in places like Harrogate and Wetherby. It is reflected in North Yorkshire being in the top half-dozen most well-off countiea in Britain in terms of per capita income.

The European dimension has seen language courses become an integral part of in-house training. One firm of solicitors has already ensured that French, German, Italian and Spanish are each covered fluently by at least six members of staff.

Mr John Watson, who stepped down at 43 from the safe Conservative seat of Skipton and Ripon at the last general election while still young enough to start a career, says: "At the risk of sounding too 'evangelical,' I have to say that Leeds is booming."

He himself has put together an advertising and public relations group — be owns half of it — to sell to the burgeoning financial and professional services sector.

It faces considerable competition and bigh standards from other local firms, as well as offshoots of London agencies run by a mixture of indigenous labour and yet more refugees from the capital.

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Editorial production: Michael Wiltshire

Demand shows up most in commercial property. Mr Simon Houlston, a leading agent, says: "There are 4m sq ft proposed and 300,000 sq ft being built. There was only 32,000 sq ft of new space vacant at the end of August. But four years ago the comparable figure was 850,000 sq ft.

"Rents have risen from £5 to £15 per sq ft in four years. There continues to be big movement into better buildings by professionals, many of whom are now negotiating at £15 to £17. We will soon be at the £20 barrier.

"For industry there is 2.5m sq ft of demand and about 1.7m sq ft available, 70 per cent of it pre-let."

Mr Hardman thinks that the new Government-backed urban development corporation will speed things, clearing dereliction, compulsorily removing old buildings, assembling land for development and improving major roads.

He made sure that Asda led from the front when it built its new £18m headquarters near the city centre, but on the seedy southern bank of the Aire, thus transforming land values in the area at a stroke.

The building — by Bruntons, a Leeds architectural practice — also sets high standards in design.

For all of this, Leeds still has a long way to go. Where Manchester is a 24-hour city with a good night life, Leeds is still very much a 9 to 6 provincial capital short on basic facilities such as a good range of hotels.

It may feel it does not have to try: while other northern cities struggle to attract jobs by dolling themselves up and hyping their virtues, Leeds struggles to catch up with a demand born of its strategic location.

But it wants to be measured against the best in Europe and be regarded as a European centre in financial and professional services at least. As the capital of England's most chauvinistic region, it must now make its horizons and attractions as broad as it can.

City of contradictions

Richard Donkin, who is not quite a Loiner,* returns to the city where he worked for many years and reports on a successful marriage between Yorkshire values and its entrepreneurial spirit.

*Loiners are to Leeds what Scouses are to Liverpool

AS the trans-Pennine train pulls into Leeds City Station it passes a large advertising hoarding on the left, featuring a monocled-huntsman holding a glass of Tetley bitter. On the right, Giotto's tower stands proudly alongside the railway arches. The one, a Yorkshire icon, the other a monument to industrial grandeur, are symbolic of a city of contradictions that has made a successful marriage of Yorkshire values and entrepreneurship.

In a county with so many differing characteristics, Leeds has perhaps the hardest image of all. Here the bluff Yorkshireman uses bluff and counter bluff. The swift march to the pub door among a group of Loiners – Loiners are to Leeds what Scouses are to Liverpool – contrasts vividly with the hesitancy to approach the bar and reach into the rarely plumbed depths of the trouser pocket to buy a round.

This carefulness, however, is regarded as a virtue in a city which demands value for money. When the aldermen of Leeds, bursting with civic pride, demanded the biggest and best town hall, last century, they blanched at the idea of paying more for a tower in the architect's plans.

They asked him to make it an optional extra just in case they decided they couldn't *thoil* it after all. *Thoil*, incidentally, is a word it is necessary to appreciate to understand the Leeds psyche. A dialect derivation of the Norse word, *thola*, to endure or to suffer, its widest meaning in Yorkshire is to justify an expense. It is one thing to afford something; it is another thing to *thoil* it.

In a rare expression of extravagance, the council opted after much deliberation to go over-budget and have the tower. The result was one of the finest civic buildings in the land which dominates the city's Headrow.

Architectural excess was a hallmark of the city fathers who had a tendency to invest their newfound riches from the woollen industry in Italianate structures such as the reconstruction of Giotto's capanile at the Duomo in Florence.

The scaled-down replica was built as a dust extraction unit at Colonel Thomas Harding's Tower works which used to make steel pins for wool combing engines. A second chimney alongside is modelled on the campanile of the Palazzo del Signoria in Sienna or the Lamberti Tower in Verona, depending on which book you read.

The new renaissance of 19th century Leeds did not stop at Italy, however. A hundred yards from Tower Works is Marshall's Temple Mills which would look more in place on the banks of the Nile at Luxor.

Huge blocks of millstone grit were used to construct this factory, covering two acres, in the style of ancient Egypt. While Ignatius Bonomi, the architect, took great pains to model it on the Temple of Horus at Edfu he had to carefully insulate the roof to ensure the correct humidity inside for flax spinning.

A layer of plaster was covered in pitch. Earth was shovelled on top to prevent the pitch cracking and grass was seeded to bind the earth together. Sheep were then grazed on the roof to keep the grass down.

This combination of practicality with innovation, coupled with a desire to make money and keep it, has long characterised this largest of the Yorkshire cities.

Unlike most of its neighbours it quickly diversified its industrial base, branching out into machinery manufacturing and engineering. One of its successes has been in the manufacture of industrial locomotives which goes back to the earliest days of steam power.

Matthew Murray, one of the great engineering pioneers, developed the first practical steam railway which ran from Leeds to Middleton, using a rack and pinion system. Instead of pressing on with passenger train development and its accompanying kudos, typical of the Leeds entrepreneur he decided there was more money in industrial machinery.

The industrious nature of the Leeds workforce was given an enormous boost in the 1880s with an influx of about 15,000 Jewish refugees escaping the pogroms in Eastern Europe. The exodus was heading for Liverpool after setting down in Hull, but many never went beyond Leeds where they found a growing clothing industry crying out for labour.

Many went to work for Sir John Barran whose Moorish-style mill, St Paul's House in Park Square, remains one of the city's architectural delights. Barran was the man who asked a company of bandsaw manufacturers to develop the band knife so he could cut several pieces of cloth at once.

He also developed the single-line clutch to allow sewing machinists to vary their machine speeds working from a single drive shaft.

Barran revolutionised tailoring into a mass production industry exploited later by Sir Montague Burton, Joseph Hepworth and Michael Marks, whose penny bazaar on Leeds market was the forerunner of Marks & Spencer.

The Jewish population, with some exceptions, has tended to maintain a reserve and detachment from mainstream city life which belies the strength and vigour it has imbued in the Leeds character. Leeds people perhaps have more in common with New Yorkers than with their near neighbours in Bradford and Wakefield.

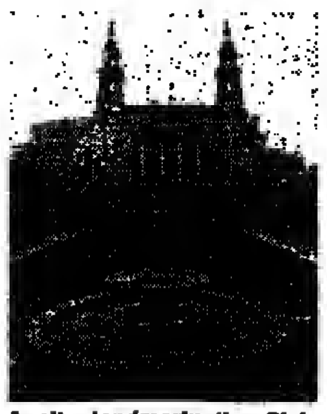
While Yorkshire humour is certainly not lost to this city – they still maintain that sparrows in Pudsey fly backwards to keep the soot out of their eyes – the reality of modern Leeds is a thriving metropolis where the cloth cap image has become subordinate to pin-stripe pretentions.

Leeds has never quite shaken-off a certain meanness of spirit, an arrogance which was once apparent in its football team and which is still visible in the hierarchy of Yorkshire cricket. Leeds Art Gallery is a fine building with a superb collection of Henry Moore sculptures, but it is somewhat lacking in the number and quality of philanthropic donations to be found in other regional galleries.

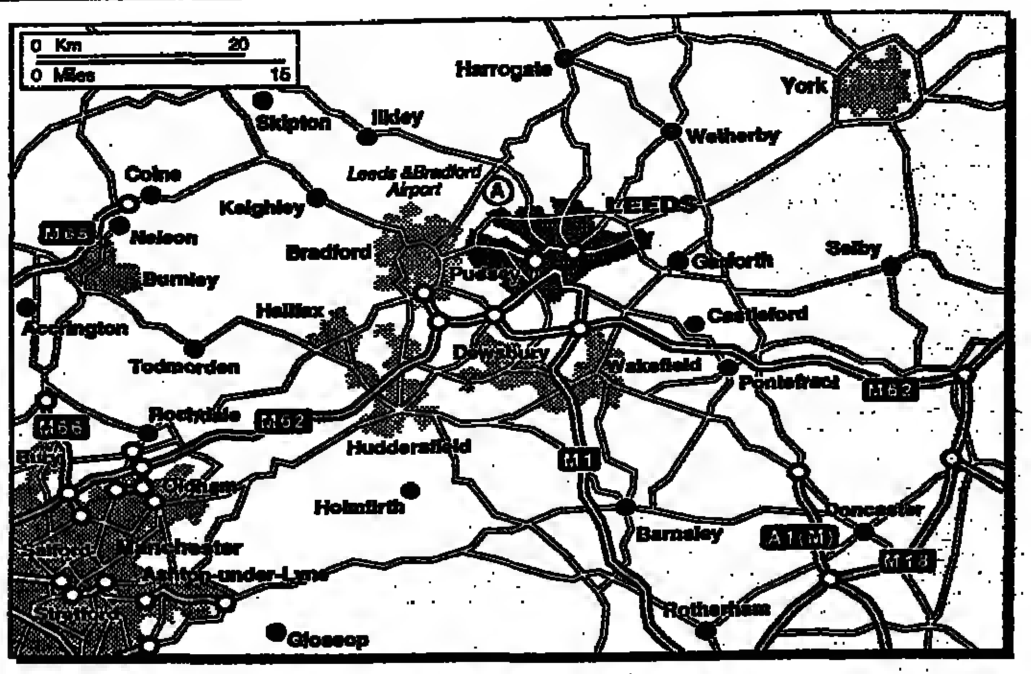
Benjamin Gott, for example, who built his mill upwind of the city in 1824 and drove out the wealthier residents with the smoke from his chimneys, amassed works by Titian, Rubens, Caravaggio, Poussin, Canaletto and Breughel at his Armley manor house. Where are they now?

Gott's Bean Ing Mills heralded a grimy industrial epoch for Leeds which led to a common belief for generations that all stone was black. The smoke had its advantages. It helped to screen the city from German bombers during the second world war according to Mr Peter Brears, director of The City Museums. He recalls hearing one of the locals watching the cleaning of the town hall a few years back ask: "Why are they painting it cream?"

Removing the grime has revealed a collection of some of Britain's finest Victorian and Edwardian gems in what is already proving to be another renaissance for Leeds. There is an over-quoted Yorkshire expression which says: "Where there's muck, there's brass." A better motto for Leeds Loiners would be: "where there's brass, there's more brass."



A city landmark: the Civic Centre and Gardens. Leeds today is a thriving metropolis where where the cloth cap image has become subordinate to pin-stripe pretentions.



Paul Cheeseright reports on the revival of the property market

The race for space

REVIVAL of the regional economy has brought the property industry in Leeds along in its wake. There is little sign of a slackening pace, although the difficulties of the national economy have quietened the market and induced a greater degree of caution among prospective takers of new space.

Development activity resumed as commercial space, surplus in the mid-1980s, was absorbed and rents increased.

Much now depends on whether the Government's squeeze on the economy will be translated into a lower demand for space and how quickly that would take effect.

"I'm bullish for the short term," said Ian Barraclough of Edward Thorpe, chartered surveyors.

"There's another couple of years in it," commented Mel Burrell, chief executive of the Leeds City Development Company.

Individual property markets tend to move from shortage to surplus, running in cycles. The comments reflect the fact that the Leeds upward cycle started later than that of, say, the City of London, and, arguably, has not quite reached its top.

This needs some qualification. The chase for space in the retail sector has perceptibly slowed in consequence of high interest rates. Clayform's new shopping centre, Schofields, is open, but is by no means full. This does not mean that the retail trade itself lacks life. The top, open deck of the car park at Town Centre Securities' Merrion Centre, unusually, was full on a Monday afternoon, five weeks before Christmas.

But in other sectors the picture is different. There remains pressure for office and industrial space and, underlying these immediate market factors, there is the start of the broader movement to renew and change the property fabric both of Leeds and the surrounding area.

The bare figures of the supply-demand situation for city centre offices point towards some further increase in rents, which have already increased for prime space from between £5.00 and £6.25 a square foot in 1986 to touch £16.00-£16.50 in a strictly limited number of transactions.

Bernard Thorpe's figures estimate that next year over 400,000 square feet of new space will be completed in the central area, but, of this, 300,000 square feet has been pre-let or committed. Over the last two years, the annual take-up of space has risen from 200,000 square feet to 350,000 square feet.

"Rental movements continue on an upward path when we have no more than two to 2½ years stock. That is, 750,000 square feet doesn't dampen the market. More than that does," said Mr Barraclough.

This suggests that, given a fair economic wind, there is scope for more development and that it would be natural for the traditional business area to expand its boundaries. And there are three potential schemes on the west side of the city centre - from Town Centre Securities, Postel and Mountleigh - and two on the south side from NFC and a likely consortium of Leeds City Development Company, Yorkshire Rider and NCP with Rosehaugh as the developer.

If all of these schemes went ahead, there could be an addition of some 3m square feet of office space to the stock, swamping the market for years. They will not all go ahead, of course. What is going now is, in effect, a planning race. The company with the first detailed consent and the comfort of some pre-letting wins.

In fact the race is complicated. The two southern schemes are in the area covered by the Leeds Development Corporation, where there is fast track planning. And it is not clear what will be the impact of the Government decision to relocate 2000 staff of the Department of Social Security to Leeds. This number of people implies a space need of around 300,000 square feet, the equivalent of about a year's take-up of space on the market. The need could most easily be met in one of these five schemes. But whose?

At any rate, the next wave of major office expansion in Leeds is likely to be outside the traditional business district. But dispersal of offices has already been taking place. The lack of new space in the traditional centre market has been a natural impetus for the growth of business parks just outside - Lawnswood Business Park or the Arlington Business Centre, for example.

Further, the Government's 1987 decision to create the B1 category of general business use in the Use Classes Order has given a stimulus to the creation of out-of-town space. This has presented the Leeds market with its own version of a national problem: the race to B1 with its likely higher returns has led to a shortage of modern industrial space in the areas where users want to be.

This is reflected in the movement of rents in the industrial sector. They have moved from under £3.00 a square foot to around £4.50.

The market remains firm despite the Government squeeze. Mr Burrell noted that Leeds City Development Company, with its schemes providing relatively small units, did not have to offer tenants concessions to take up the space.

But this dispersal of business space is likely to continue. Leeds is not apart from the phenomenon of decentralisation which has been noted in other major urban centres.

"Businesses ring the outskirts of towns. Why not go one step further?" asked David Parsons of Lyons Spawforth Urban Regeneration, the town planning consultancy with a string of projects in and around Leeds. He predicts not only further moves to business parks but also rising interest in the Yorkshire and Humberside market towns as sites for business premises.

Here, then, is a property possibility which rivals the early work in refashioning the outdated industrial urban fabric of Leeds.

Demand for space in the retail sector has slowed, but in other sectors the picture is different. Above: the County Arcade.

Ian Hamilton Fazey charts the growth of the legal sector

A centre of excellence

THE NORTH's abiding weakness for many southern professionals is the quality of work it can offer: London is in the big league and provides more opportunities to advance a career; congestion and commuting are prices that have to be paid.

The lawyers of Leeds say that this no longer applies to them. They believe they have an unparalleled match of quality of work with quality of life, especially for lawyers with young families.

Since many of them are now London refugees with young children, they would say that, wouldn't they? But there is independent evidence in the growth of the legal services sector in the city during the last ten years.

This was steady until about four years ago, when the graph turned sharply upwards. A critical mass seems to have been reached, triggering an acceleration that has seen many firms of solicitors grow two or three times in numbers employed since 1986.

Four firms now employ more than 200 people in the city, a figure matched only by the larger Birmingham. The result is a legal services sector that is now one of Yorkshire's greatest strengths. It is much stronger than Manchester's for example.

Much of its work is national and international; most firms have growing lists of London clients who can get as good a service from Leeds as anywhere, but at a lower cost because of cheaper overheads.

"Back office work" for London firms is as well done in Leeds and more cheaply. A two-hour train connection to London is as fast as many a cross-London journey.

At the same time, Yorkshire's own array of expanding industrial and commercial customers, many of them national players, creates its own local demand.

This in itself ensured there was already a good infrastructure of reputable firms to build on. Booth & Co, for example, has acted for the Yorkshire Bank for more than 100 years and made a speciality of the field.

Simpson Curtis was another well-established big firm, as was Hepworth and Chadwick. All grew organically, along with smaller competitors, some of which have also taken quantum leaps by merger to match the bigger firms for size.

Walker Morris Scott Turnbull was one, Hammond Suddard another — the latter merger heralding a shift of emphasis in the firm from Bradford to Leeds. When Dibb Lupton of Leeds merged with Broomheads of Sheffield, the hegemony of Leeds in Yorkshire's legal services — and potentially the north's — was confirmed.

Indeed, Dibb Lupton Broomhead now employs more than 400 people in Leeds, Sheffield and London. Mr Robin Simpson, the senior partner, says:

Much of Leeds' legal work is national and international

"The main firms in Leeds claim credit for recognising early where and how the market was moving. Many of us started offering specialised services 10 years ago, well ahead of other firms in the north.

"We made sure we kept in Leeds a lot of the work that used to go to the City, such as flotations, mergers and acquisitions, and hostila takeovers. This helps explain why are we doing bettar than other regions. We have developed a tradition of fleetness of foot and flexibility."

—Mr Peter Thompson, his opposite number at Hepworth and Chadwick, stresses that while the industry has acted communally in promoting Leeds, there have been no cosy arrangements. "We have all done well out of each other because good competition keeps us all sharp and leads to good business," he says.

Market segmentation, with relatively few competitors in each segment, is nevertheless obvious. "We are different from our competitors because we have the biggest base of manufacturing clients," Mr Thompson says.

"We give commercial, common sense advice to Yorkshiremen and have a name for commercial nous. Bnt our client list is short on institutions, banking and insolvency," he adds.

From the left: Sean Lippell of Simpson Curtis; Peter Thompson of Hepworth & Chadwick; and Peter Levine of Teeman Levine.

Booth & Co is rated top for banking by most competitors, Hammond Suddard's strength is planning, as is Dibb Lupton Broomhead's, which also specialises in intellectual property *and insolvency*.

Simpson Curtis claims market leadership in corporate finance, which in turn creates specialised needs in taxation, *litigation, and banking*; it also knows much about ESOPs — employee share ownership programmes.

Indeed, Acquisitions *Monthly last May ranked* Simpson Curtis first outside London and tenth overall in privete bids and deals worth more than £300m.

All is not gigantism, however, for there are many smaller firms, all with a look of prosperity about them.

Ford & Warren, a 150-year-*old legal practice with*, now, 14 partners and 56 staff, has been doing well enough to relocate to new offices that will allow more rapid expansion.

Growth has also created significant opportunities for entrepreneurship, of which Teeman Levine is e notable example. It started in 1987 with *five partners and* has trebled in size in two years.

It has 20 solicitors now and its initial 400 sq ft of office space has shot up to 16,000 sq *ft. The average age of the part*ners is under 30, compared with about 10 years older at Hepworth and Chadwick.

Mr Peter Levine, who is 33, *says: "We are all refugees from* larger firms in London or the region. We saw thaf there must be room for smaller firms to serve *medium-sized or smaller* companies.

"We function entrepreneurially with smaller, growing clients. We encourage all staff to acquire a good working knowledge of industry and management, using in-house training. We see our own business as consumer-driven.

"We seem to be *finding* e growing demand for this type of work. Clients don't come here because we are establishment. They come because of word of mouth or, in several cases, because they have experience of our acting for the other side against London firms and liked the way we did it."

The bigger firms are likely to continue to exert the biggest pull on London lawyars looking for better quality life, *if only for reasons of relativity* and London linkages.

Mr Sean Lippell, who joined Simpson Curtis from London, says: "Working as partner number 162 in a big London firm is not very satisfying. The quality of work here is very good but you don't lose touch with what is happening because you are dealing with London lawyers all the time.

"The point about quality is that we are responsible for generating much of the work as well as doing it. To a certain degree in London you are just a processor. You do what you are given."

Leeds' other links are with commercial law firms in other cities. Mr Martin Shew of Simpson Curtis chairs the Legal Resources Group, which includes firms in Newcastle, the north- west, Birmingham and Bristol.

Booth & Co is part of the M5 group, which links it to firms in Manchester, Birmingham, Bristol, Norwich and Cambridge. Hepworth and Chad*wick has just joined* Eversheds, another gronping, replacing Dibb Lupton Broomhead, which was concerned about potential conflict with the *work of its own London office*.

Hepworth and Chadwick also sees Leeds becoming increasingly important in Europe because it is the big legal centre nearest the Humber ports. Language courses in French, German, Italian and Spanish are integral to in-house training now and each has at least six members of staff who are fluent.

If Leeds lawyers were ready for the 1980s in 1979, they look equally set now for the wider European opportunities of the 1990s.

Key facts on Leeds

- **Location:** West Yorkshire; distance from York, 24 miles; Wakefield, 12; Sheffield, 33; Manchester, 40; Hull, 55; and London, 190 miles.
- **Population:** 706,000; the second largest metropolitan district in the UK efter Birmingham.
- Area: 217 eq miles ol which 140 sq miles is green belt.
- **Communications:** London (rail, hourly, 2 hours; road 3½ hours): Manchester, 45 minutes by road; Liverpool, 90 minutes; Hull, 60 mins.
  Inland port: Stourton, the principal ragional freight terminal for the Channel Tunnel.
- **Airport:** Leeds-Bradford, 8 miles to the North West; daily London air service; 10 air freight companies; Manchester airport, 60-90 minutes.
- **Higher education:** Laeds University, (tel.0532-333.444); Leeds Polytechnic, (0532-462.404)
- **Arts:** City Art Gallery and Henry Moore Sculpture Centre; Opera North et the Grend Thaatre; the West Yorkshire Playhousa opens 1990, replacing tha Leeds Playhousa.
- **Workforce:** Approx. 350,000 people, divided between *manufacturing* (25 per cent); services (67 per cent); and construction (8 per cent). Unemployment, 8.8 per cent.
- **Property:** industriel eector, 44.1m sq ft of occupied factories; 32.3m sq ft of warahousing; office accommodetion, 9.8m increasing by 275,000 sq ft e year. Prime rents £15 per eq ft, and rieing. Retail property, 7.3m sq ft; zone "A" rents ere up to £165 per sq ft.
- **Useful telephone numbers include the following:** Area STD code 0532; Leeds City Council, 463 208; Leeds Development Corporation, 446 273; Leeds City Development Compeny, 424 293; Confederation of Britieh Industry office, 644 242; Chamber of Commerce, 430 491; Chamber of Trada, 449 655; Leeds Business Vanture, 446 474; Yorkshire and Humberside Development Association, 439.222; British Rail, 448 133; Leeds-Bradford Airport, 509.696; Tourlet Information Office, 462 454

Clothing industry weathers the storm

WHEN the Prime Minister, Mrs Margaret Thatcher, serves dinner at Number 10 she may take the opportunity to tell her guests about the wine glasses. She certainly took the opportunity to thank the Leeds clothing firm who gave them to her.

In a letter to John Jackson, chief execntive of Centaur Clothing, she wrote after e visit to the factory: "It is heartening to see that even the old established industries can survive and prosper when they combine snch standards of excellence and endeavour."

Today the industry faces the immediate impact of high interest rates through redneed consumer spending in Britain's High Streets. But most independent observers believe it will survive; due mainly to an ability to fill *niche* markets.

But in the short-term the picture is gloomy. The quarterly survey of the Leeds Chamber of Commerce and Industry shows that 26 per cent of companies in the sector have reduced their labour force, and 23 per cent expect to do so before the end of 1989.

The Chamber conclndes: "Although 1988 was a relatively good year for both retailing and manufecturing in terms of consnmer demand, and these statistics therefore represent e fall from e relatively high base, the extent to which there has been a slump across all our indicators of performance is very concerning."

The confidence of the industry, in defiance of the figures and the increasing threat from cheap imports, is based on its transformation since the 1960s and its revitalised, "np market" image. It is also based on the dogged tenacity of those locally-owned firms which have survived a major recession by restructuring and diversification, and are determined not to succumb during an economic slow-down.

While the textile industry of West Yorkshire has suffered heavily, the Leeds clothing industry has experienced an "economic revival" — according to a report by the School of Geography at Leeds University. Author Louise Crewe concludes: "The dominance of the retailer within this increasingly market-led system is in many ways helping to revive the clothing industry; retailers are forging close links with manufacturers, offering guaranteed contracts and large orders."

It is of consequence that

The hard-hit sector shows strong tenacity

many of Britain's top multiples, like Burtons and Marks and Spencers, started life in Leeds and that there are continued links with the local clothing industry. Unlike the pattern in France and Germany, the British clothing manufacturer can secnre a hnge market with one contract.

The continental pattern, which requires clothing makers to tour individual high street stores, is absent in the UK. As Chris Holland of the Leeds CBI puts it: "Once you have cracked the major buyers, yon have cracked the whole market."

It is also noteworthy that two of the three largest suppliers of retail credit in the UK, Bnrton Gronp Personal Account and Club 24 are based in the city; the third, Marks and Spencers, was born there. This industry is literally interwoven with the historic tradition of textiles and clothing.

Leeds clothing concerns, like Centanr Clothing, B. Berwin Ltd, I. J. Dewhirst (Uniforms), and Benjamin Simon, remains one of the three main strands of the Leeds economy and as such is a major employer: 1984 figures showed 11,300 people working in clothing in the city and 20,925 in West Yorkshire, of which 75 per cent were women.

There is some concern that in the drive to keep labour costs down in the tough trading period ahead, practices auch as homeworking will increase. Louise Crewe, in her report, noted: "Lahour forces eppear to be on the receiving end of a variety of casualisation strategies which are comhining to undermine the quantity and quality of employment.."

A small cloud on the horizon *springs from the opening np of* the Iron Curtain and the hreaching of the Berlin Wall. Major clothing producers are worried that under the Berlin *Agreement, which allows trade* between the Germanies free of EC dues, a flood of cheap imports could wreck their market. And the UK market is *exposed: a West German* seller could make contact with many of the country's top buyers in one trip to Oxford Circus.

The immediate threat to the clothing industry, however, is high interest rates.

James Kelly

Here and on the facing page, **David Barchard** looks at the city's fast-developing financial sector

BUILDING SOCIETIES

Two faces of 'The Leeds'

LEEDS is the home city of two building societies, both in the national top twenty. Both, a little confusingly, bear its name and sport blue and white colours in their logos. And both have a way of referring to themselves as "The Leeds" as if the other society did not exist.

Leeds Permanent, the larger of the two societies, is still in many ways Leeds's premier financial institution. Its offices in the Headrow look straight across to the City Hall. Leeds Permant is the fifth largest UK society with assets of £12.9bn and a network of 420 branches.

A little farther up the road is the headquarters of Leeds & Holbeck, a smaller society with assets of £1.4bn – making it number 18 by size.

Leeds & Holbeck has a network of 75 branches stretching from Aberdeen to Southampton. It has more than 30 branches around Leeds and still retains very strong local roots.

Four years ago the two societies came close to merging, then pulled apart at the last moment. Any thoughts of joining forces now seem to have been abandoned for ever.

"The main point in favour of the merger was the need for new computer systems," says Mr Arthur Stone, chief executive of Leeds & Holbeck. "But that is no longer necessary. We're profitable and growing very well at the moment."

However both societies have to think hard about their future. Their size places them in what the industry calls "the dangerous middle ground." They are too large to be local niche players and perhaps not large enough to compete on an all-round basis with the clearing banks. That seems to be the view of Mr Mike Blackburn, chief executive of Leeds Permanent. When he took over Leeds Permanent two years ago, the society was regarded in the industry as one of the slower moving in the top ten and in urgent need of a managerial shake-out.

Two years later the shake-out is well under way. Together with Boston Consultancy Group, Mr Blackburn has drawn up a strategic plan for the society's future which, broadly speaking, involves cutting costs, upgrading management, and focussing on the society's traditional savings and loans business.

Innovations

Some of the innovations seem rather startling for an organisation the size of Leeds Permanent. It was left to Mr Blackburn, for example, to introdnce management accounting to the society.

The operation has been painful. A network of 1,700 full agency outlets was slashed to 450. Last September, Mr Blackburn ordered the closing of 60 of Leeds Permanent's 481 branches with the loss of 242 jobs. Around the same time, the society's finance director departed.

However Mr Blackburn has decided against taking Leeds Permanent down the route followed by Abbey National last summer and turning the society into a PLC. He has also decided against introducing a cheque book current account – the cornerstone of a fully-fledged retail banking operation.

Some innovations have been expensive. Leeds Permanent lost £5.9m on its estate agency operations (where some cuts are also planned) and £7.5m on its charity Visa card. Mr Blackburn was a credit card executive before he joined Leeds Permanent and took the society into the credit card market earlier than most others. Another of its distinctive features is that it pays financial intermediaries for arranging introductions to mortgage customers. The payments cost it about £3m in the last financial year.

But the rewards of a more focused approach have also been clear. This year Leeds Permanent pushed its pre-tax profits up by 13 per cent to £138.5m and doubled its share of the building society mortgage market from 4.7 per cent in 1987/8 to 9.96 per cent in the year just ended.

Meanwhile, up the road, Mr Stone reported profits of £11.4m. The profits have been achieved by holding costs down and avoiding expenditure on antomatic teller machines and other retail banking products.

Mr Stone admits that Leeds & Holbeck has a stream of visitors, representing foreign banks and some insurance groups as well as other societies, knocking on its door with offers of mergers and takeovers – "we just say, 'Nice to meet you,'" he says.

With its branch network and strong local links in Leeds, Leeds & Holbeck is not suffering from the same sort of pressures on its mortgage business as those which recently made Guardian (a society very nearly the same size as Leeds & Holbeck) agree to a takeover from the Cheltenham & Gloucester. Mr Stone admits that the terms of that deal – which allowed part of Guardian's reserves to be shared out with its members – came as a shock to smaller societies such as his own.

However Mr Stone does not believe that Leeds & Holbeck is vulnerable to a similar takeover or possible revolt by members seeking a cash handont. "Unlike some societies, our reserves are close to the legally required level, so we don't have that surplus to interest a predator."

The society has just spent £2.5m to place all its branch operations on-line in realtime. "Leeds is booming," Mr Stone says "And our investment and mortgage business is holding up very well. All the indications are that we shall be able to stick to our knitting."

VENTURE CAPITAL

Expertise abounds

THE DOORWAY of the Leeds offices of 3i, the venture capital specialists, looks across the street at the newly opened offices of Lloyds Merchant Bank. Not much further away are County NatWest and York Trust and still within easy walking distance are Yorkshire Bank Development Capital, an offshoot of Yorkshire Bank created this year, and Yorkshire Enterprise, a specialist lender which began life as the West Yorkshire Enterprise Board.

"You don't need to go to London to get deals pnt together," says Mr Peter Claydon, assistant managing director at Yorkshire Enterprise. "The expertise is here to do the job as well as any City firm."

To explain why Leeds is fertile ground for venture and development capital operations, Mr Charles Monck, chief executive of the Yorkshire and Humberside Development Authority, points ont that Leeds services an area which has a population and GNP the size of Scotland's.

"This region has the highest proportion of firms in the 100 to 500 band and a higher proportion than average of independent small companies. It also has a relatively small proportion of firms with more than 1,000 employees," says Mr Monck. "In other words you have got a large number of medium-sized firms requiring sophisticated financial services."

A steady flow of new entrants to the market, has kept the number of PLCs in Leeds and the surrounding region fairly stable despite takeovers by larger firms. There have been 50 new PLCs established in the last seven years alone. So both venture capital activities – lending to younger and riskier companies – and development capital – helping established firms expand – are thriving businesses in Leed's financial community.

At 3i, Mr David Wilkinson, regional director, says that his three Yorkshire offices (3i is in Sheffield and Hull as well as Leeds) are still receiving a steady stream of approaches. About one in ten of these leads to a deal but 3i, having once met a company, likes to maintain contact with it even if its present size is too small to make it a candidate for a deal.

As for the size of deals, 3i does many that are close to the national average of £500,000 though there are also smaller ones, under £200,000, and much larger ones such as a £3.5m wholly funded deal for Batoil in Leeds earlier this year.

When Mr Wilkinson started work at 3i 12 years ago, he was alone in the field. Now he faces competition on several fronts. His nearest rival is probably County NatWest Ventures, but Yorkshire Bank has set up a subsidiary in this area, headed by Mr George Shiels. Yorkshire Bank Development Capital Limited invests up to £2m of its own money in individual transactions and has the capacity to syndicate larger deals.

Mr Shiels, formerly of Charterhouse Development Capital, is a specialist in management buyouts. YBDC however will not only target MBOs and management buy-ins, it will go in for traditional development capital investment by buying shares in companies with a good management track record and prospects of healthy growth.

Another leading player in the Leeds market is York Trust, a corporate financial services group set up in 1982 by Mr Neil Balfour. Working together with Yorkshire Enterprise, York Trust has set up a £25m fund, called the Yorkshire Fund. "It gives our local contacts their own pool of capital and also acts as a magnet for deals to come to us," says Mr Neil Milne, executive director of York Trust.

There is also competition from outsiders, including Charterhouse Development Capital and the Development Capital Group. Hill Samuel, the merchant and corporate banking arm of the TSB Group, used to have an office in Leeds between 1972 and 1984. Mr Hugh Gillespie, director, says that he still covers the ground from London as well as he can. He is helped by the fact that he kept his home in Yorkshire even when his job moved south.

TSB Development Capital, now under the Hill Samuel umbrella, handles development capital. For although Hill Samuel can handle venture capital transactions in Leeds such as MBOs and advises owners on their sales of their companies, it does not regard it as a mainstream activity.

It has employed Mr Howard Birkby as manager. "The local business and professional community expect to see transactions handled at a local level," says Mr Birkby.

Local knowledge of companies is particularly important when the national economy seems to be heading for a recession. As yet few deals seem to have come unstitched although 3i this summer had to arrange a re-financing for one deal and others are reputed to have taken place at other houses. At Lloyds Merchant Bank, Mr John Richardson, director, seems to believe that testing times lie ahead.

Yorkshire Development Capital which has so far lent a total of £22m to 113 companies, lending smaller amounts than the banks and usually trying to inject new management skills at the same time, takes a slightly different view. "Higher interest rates are good for us, bad for the economy as a whole," says Mr Claydon. "One of the effects is usually that it encourages firms to accept an equity stake from the outside. Seven years ago, there was no question of many firms taking an equity stake. The Yorkshire tradition of self-reliance dies hard."

STOCKBROKERS

Corporate targeting

IS STOCKBROKING in Leeds finally about to make the quantum jump between the retail and corporate market?

For years Leeds has been the home of several thriving stockbroking firms and the city's new prosperity and reputation as a financial services centre is attracting a steady stream of outsiders.

Until recently, Leeds stockbroking has been slow to shake off its dependency on the personal customer – and not always the wealthiest personal customer: some Yorkshire brass has always preferred to look to London for financial advice, and never more so than when taking corporate decisions.

Mr Tony Elviss, partner at Broadbridge Lawson, admits that his firm tends to look towards retail rather than personal customers. It relies on its ability to charge less than half the London rate and to handle smaller portfolios. The firm relies entirely on commissions.

Broadbridge Lawson is one of seven firms of stockbrokers in Leeds, most of which have other bases for their operation. Broadbridge, for instance, also has offices in Halifax and Wakefield. In the last two years however, the Leeds stockbroking scene has been galvanised by a new wave of stockbroking arrivals from the outside.

Two firms – BWD Rensburg of Huddersfield and Henry Cook of Manchester – both with their eyes firmly on the corporate as well as the personal market – have set up in Leeds and offer a range of services which go well beyond what traditional stockbrokers have been able to provide.

Perhaps because of this challenge, Leeds firms have been investing in new technology and stepping up the services they are able to offer their customers. Redmayne Bentley, another Leeds firm, says it is carving out a very successful niche in the personal market.

Among their innovations is a sharecard, now held by 20,000 customers, giving instant access to the firm's dealing rooms for both dealing and advice. Redmayne Bentley has also invested heavily in computerisation of its customer services.

The two outsiders look formidable competitors. BWD Rensburg is a financial services house which has been assembled out of Battye Wimpenny and Dawson, a Huddersfield stockbroking firm, and Rensburg of Liverpool. It was the first British stockbroker to obtain a listing on the Unlisted Securities Market in April 1988, and it has a 10 per cent slice of its capital owned by one of the region's major financial players, the Yorkshire Building Society.

Yorkshire Building Society's purchase of its stake in BWD Rensburg was the first of its kind in the UK market. The link is being used to reach new customers through six money centres which the society has established. Building society excursions into share dealing and stockmarket operations have not been very successful so far: but this may be the exception which points the way forward for financial services institutions.

Henry Cook entered the Leeds market at the start of the year by buying out Howitt & Pemberton, a long established Leeds stockbroking house. Its arrival was a clear signal that the firm believed that there was a gap in the market for corporate finance stockbroking operations. The firm has recruited Mr Robert Wilson from York Trust, the former head of its corporate finance department in Leeds.

The arrival of the Group has created a heavy weight financial services house with strong bases in both Leeds and Manchester and an impressive range of services from private stockbroking activities to a pensions consultancy.

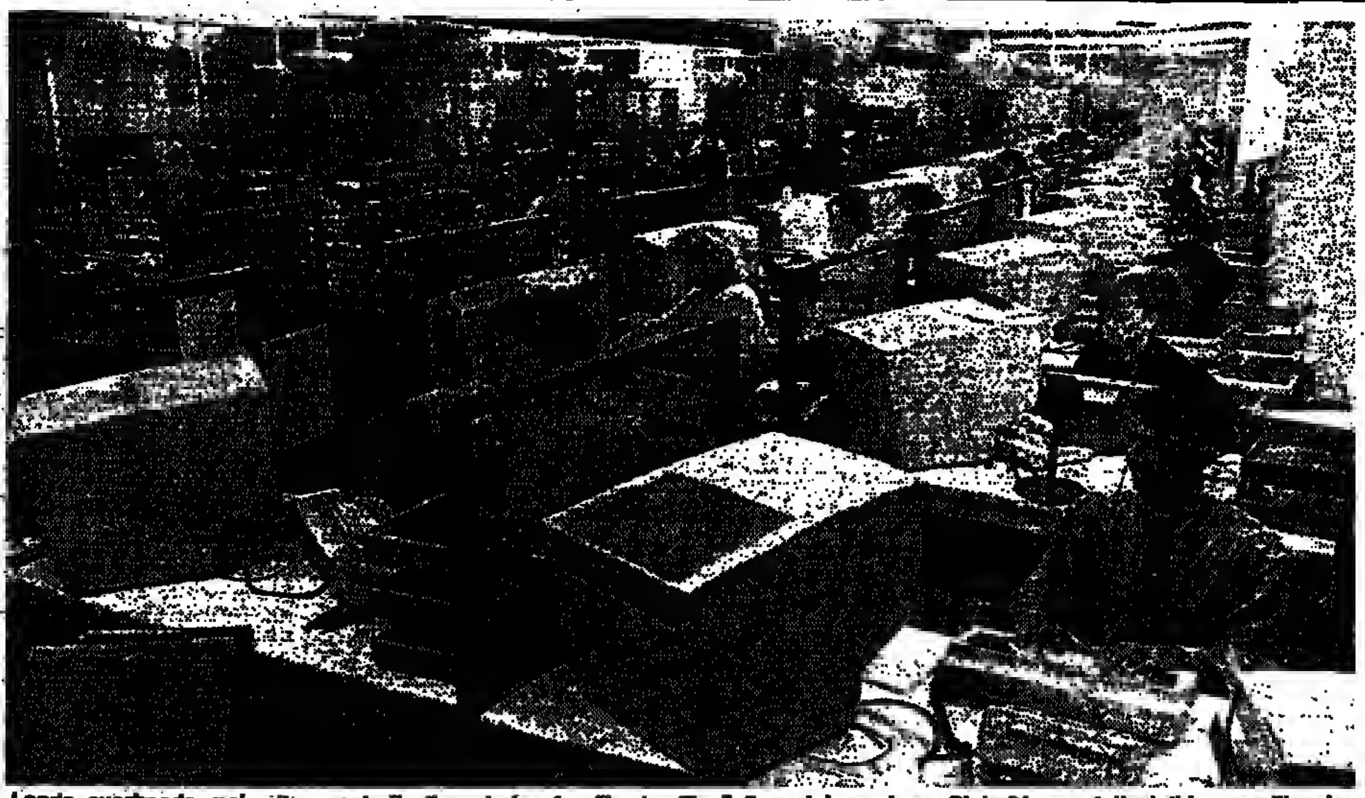
So far BWD Rensburg has been appointed regional adviser to Yorkshire Water and Yorkshire Electricity, both of which are being privatised.

Still on the retail side of the business, Redmayne Bentley have gone a stage further than some of their competitors by developing a charity link-up which donates £1 for every Water Shares application form processed through them. The aim is less to encourage people to invest in the shares than to show them a way of donating funds to a particular charity.

This perhaps is one reflection of a generally felt need to signal their presence to the outside world. One widely favoured solution, common among stockbrokers, is the information letter or statistical bulletin.

Information is strongly prized. Redmayne Bentley offer a quarterly newsletter, which goes out to 5,000 investors, offering tips and advice. BWD Rensburg publish a "Quarterly Review of Yorkshire Companies" which has become the standard reference volume for anyone wanting to know about business activity in Yorkshire as a whole.

The banking industry is at a crucial stage, waiting to see how difficult 1990 will be, but confidence is high



Leeds overheads make it a cost-effective choice for "back office" financial services. Club 24, a retail clothing credit sales operation in Hepworth House, above, is one example.

RETAIL BANKS

An anxious pause

WHEN Midland Bank set up First Direct, its telephone banking subsidiary, it chose to locate the operation in Leeds.

From his new headquarters in the Allington Centre, Mr Mike Harris, First Direct's chief executive, looks out at NatWest's Switch electronic debit card processing operation and not far away is Barclaycard's Connect processing operation.

The presence of three recently-set up retail banking processing operations in Leeds is *obviously not a coincidence.*

"Leeds is a good financial centre with a big catchment area," says Mr Harris. "The availability of high class premises at a reasonable cost within easy reach of London was one factor in our decision. The other was the availability of good staff."

First Direct is being run as an entirely autonomous operation within Midland, – at least until well after the launch period – it is not a fully *fledged subsidiary* but an operating division. Its autonomous status reflects Midland's view that the bank is something totally new in banking history - a full banking service available to customers over the phone.

Mr Harris emphasises that First Direct is not a home banking system like thoss already offered by Bank of Scotland or TSB. In home banking customers belong to an ordinary branch but can *interact with their branch* by sending signals into a compnter at a processing centre over the telephone. First Direct, with telephone services available 24 hours a day, is an entirely non-branch operation and its customers don't pnt instructions into a computer. They talk to bank staff.

It is also different from "loans by phone" operations, such as TSB Direct in which customers can negotiate loans over the telephone. "We aim at an all-round relationship with our customers. You can't easily cross-against loans," says Mr Harris. In its first month, First Direct has picked up about 10,000 customers including a sprinkling of mortgage business. Around a fifth of its *customers come from Midland,* reflecting First Direct's aim of finding its customers elsewhere. Mr Harris says that the typical First Direct customer is np-market and more financially aware than average. He may have been attracted by the high rates First Direct pays on its accounts, including 8 per cent on current accounts.

First Direct is not of course the first bank to base its operations in Leeds. From its Leeds *headquarters,* Yorkshire Bank runs a 247-branch network which last year made profits of £100.8m on assets of £3.2bn. Though traditionally regarded as a personal market bank relying on efficient branch operations, Yorkshire Bank is a group in its own right.

Yorkshire Bank's profitability and record of steady growth now are its chief selling points for prospective foreign buyers. In August, the bank's owners – NatWest, Barclays, Lloyds, and RBS – decided to put it on the market. The price they are asking is believed to be around £800m to 900m and rules out UK purchasers including RBS which might otherwise have seen Yorkshire Bank as a natural acquisition target.

There is said to be a field of three possible purchasers, headed by National Australia Bank and including at least one Japanese Bank. However, would-be purchasers including some Japanese ones have, like RBS, generally been deterred by the *high price the clearers* are asking. From the clearers' point of view however, they are not merely selling a bank widely regarded as the most profitable in Yorkshire, they are also granting an outside competitor entry into a crowded retail banking market.

The Big Four clearers are all active in Leeds and Lloyds has placed its regional office there as well, joining NatWest by setting up a merchant banking operation in the city. With interest rates higher than they have been for more than half a decade, they are watching both the personal and the small business market carefully for signs of trouble.

"Leeds hasn't suffered a recession, in fact business is still booming," says Mr Alastair Thompson, director of Barclays Leeds Business Centre. "But there are one or two signs of *things slowing down* and retail trade dropping off."

Across the road, Mr Arnold Fear, deputy regional director for NatWest, detects similar signs that traders in the high street are beginning to feel the pinch. Those with long memories in the banking profession in Leeds recall that a downturn in business in the 1970s encouraged some financial services market players to pull out of Leeds and it was not *until the last few years that* the city was able to reassert itself strongly as a financial centre.

Could the same be about to happen again? Banksrs in Yorkshire are cautiously optimistic, pointing out that Leeds and its hinterland has several things working in its *favour,* including a propensity to save which is far stronger than in the UK as a whole. Nonetheless 1990 looks like being a fairly difficult year, at least by comparison with the two which came before it.

MERCHANT BANKS

More join the local ranks

UNTIL RECENTLY, Leeds was not a front-rank UK merchant banking centre although County NatWest has been pres*ent in the city for 15 years and* Singer & Friedlander for 30.

That now appears to be changing: Lloyds Merchant Bank opened its Leeds office on October 4 and there is talk that Hill Samuel, the merchant banking arm of the TSB Group, will be next to set up a branch in the *city.*

"Lloyds Merchant Bank is very interested in serving medium to smaller PLCs as its core activity. Lloyds is already very strong in Yorkshire and its northern head office is in Leeds. So the city seemed the right place to go," says Mr John Richardson, director, who joined Lloyds Merchant Bank from County NatWest.

Mr Richardson is now heading a three-man team handling corporate finance, flotations, as well as mergers and acquisitions. Another Leeds-based director, Mr Geoffrey Weaver, runs a second three-man team *for Lloyds Development Capi*tal, a subsidiary of the bank. His team specialises in Development Capital, equity funding, management buy-outs, and buy-ins.

Lloyds head office has given the Leeds operation considerable autonomy and the need for it to have very strong contacts with companies and businessmen.

Mr Richardson believes that Leeds is set to equal Birming*ham and perhaps compete with* Manchester in the next few years – "a lot depends on the new players coming into the market. If you are a serious player, then you've got to take a long term view of your prospects. If a new player was to come in here and then pull out, it would do serious harm not just to itself but to the Leeds market as a whole."

'As a business and financial centre, Leeds is growing faster than Manchester.'

Lloyds Merchant Bank is emphatic that it takes a long *term view of prospects in* Leeds. But there have been withdrawals in the past, most recently by Pru Bache, the US financial services group, which set up a branch in the city in the mid-1980s only to close it a year later.

Pru Bache's withdrawal cre*ated relatively few ripples* because its decision to set up in Leeds was something of a surprise in the first place. The merchant banking team it had recruited was quickly re-absorbed by other groups.

That is typical of a growing corporate finance market in which all the main players know each other well and operate in an atmosphere of trust, much of which is in turn attributable to the cluster of *strong law firms in Leeds such* as Booth & Co, several of which have large corporate finance departments and are used to working closely with ths merchant banks.

The role of the city's top four law firms tends to crop up in any conversation about corporate banking County NatWest, under its director Mr Michael Frank, is the dominating presence on the Leeds merchant banking scene. Mr Frank, a *specialist in mergers and* acquisitions, and disposals and flotations, ran Pru Bache's Leeds operation during its brief existence, but was eagerly taken back by County when it closed.

Will County be able to keep its lead as the market place becomes more crowded, especially if it continues to suffer thet familiar fate of banking pioneers – having its key men wooed away by headhunters working on behalf of new competitors?

At present a good slice of *Leeds merchant banking busi*ness is still done from Manchester where BZW and N.M. Rothschild are based. A decision by either of these two players to set up a substantial presence in Leeds may come eventually.

Meanwhile County NatWest's longest-established competitor on Leeds territory is Singer & Friendlander who have been in the city since the 1950s.

Mr David Courtman, director, says his branch's activity is divided between activities such as flotations and mergers and acquisitions deals, corporate lending, and managing an investment portfolio of over £100m in funds belonging to private clients and pensions. Singer & Friedlander however stay ont of venture capital deals in Leeds.

"You have to be more flexible to work here," Mr Courtman says. "In London, you sit by the telephone. Up here you've got to get out and get to know people. I think some Yorkshiremen take a bit longer to trust people. But as a business and financial centre, Leeds is growing faster than Manchester."

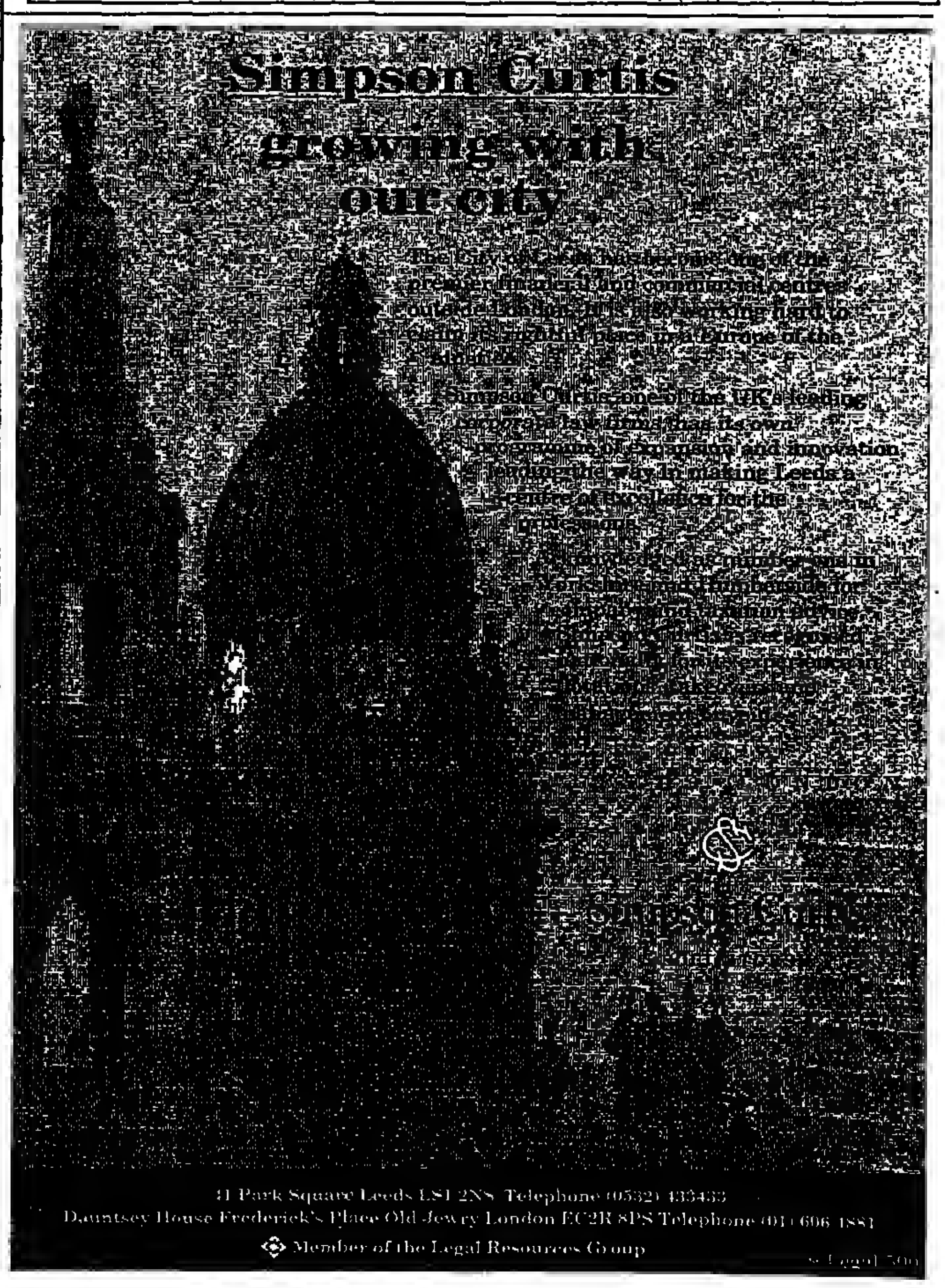
'You've got to get to know people. Yorkshire takes a bit longer to trust people'

Singer & Friedlander are content with a much lower profile in the city than County NatWest. "Our business comes from word of mouth and happy customers," says Mr Courtman. "Of course, because we don't go in for 'tombstones' in the papers that inevitably makes some people in Leeds ask how active we are. This year we have covered 14 transactions already and have another six in the pipeline for completion before the year end."

The deals are described as all fairly sizeable, though not huge by London standards. Mr Courtman is emphatic however that all advice from Singer & Friedlander's branch in Park Row is done out of Leeds. "All decisions are taken here," he says.

Having seen other merchant banks come and go over the decades in Leeds, Mr Courtman watches changes in the scene a little quizzically. "Every now and then someone makes a foray into Leeds," he says. "Even if it is only a post box presence."

He is fairly bullish about the prospects for the region. "There is a tremendous upsurge of decent industry around Leeds," he says. "Even in the present state of the market, I can't see that ending for the next few years."



Della Bradshaw reports on higher education

Still gaps to fill

LEEDS UNIVERSITY holds its Open Day in May, and plans it carefully to fall on the Saturday between the FA Cup and the Rugby League Finals.

But the enthusiasm of the local population for football does not detract from its enthusiasm for its local centres of learning. The last open day attracted between 20,000 and 30,000 local visitors on just a few hours.

Both the university and the polytechnic in Leeds have grown up inextricably linked with the locality. The university was originally set up as the Yorkshire technical college in the 1880s to give scientific and technical training to members of the local community working in the textiles, mining and engineering industries. It later merged with the Leeds Medical School before receiving its university charter in 1904.

The polytechnic followed a similar route, and is now a merger of seven Leeds colleges. The first was the mathemetics and commercial school, set up in 1845, and is the basis of the polytechnic's claim that it is an older institution than its neighbouring university.

The academic achievements of the university and the polytechnic today are firmly rooted in their origins as institutions to educate the local community.

The university produces more engineering and technology graduates than any other English university, for example, and mechanical engineering was one of three departments to receive top ratings in the recent Universities' Funding Council assessment of research. The other two were education and geography.

The polytechnic, too, is a front-runner in engineering, manufacturing systems and computing.

The university department of textile industries is the largest in the UK, and compares in size to anything the US has to offer. And the university will have the largest mining department in the country, once the merger between the Leeds and the University of Newcastle mining department is completed.

As with many large civic universities, the influence of the medical school is all-pervasive. If you are admitted to hospital to Leeds, these days, there is a 40 per cent chance the person treating you will be an employee of the university or someone working for one of them.

But although its centres of expertise have grown from roots in the local community, the university is now flourishing by exploiting this expertise nationally and internationally. The worry for the university staff is that local industry is not keeping up with research work done in its laboratories and research departments.

The department of textile industries exemplifies this. Ninety-five per cent of the undergraduates come from the UK or Europe, but the majority of the post-graduate students are from further afield.

"It's a matter of some concern for us," says Professor Eric McIntyre of the textile industrier department, "because we think that the post-graduate training is appropriate to UK industry."

He says that local textile industry is concerned too. It is perturbed that its local university is training students from overseas – the Far East in particular – who will compete with the UK's indigenous manufacturers.

The mechanical engineering department is in a similar position. Up to 70 per cent of its research funding comes directly from indnstry, but from national industry – Rolls Royce, ICI and Leyland Daf, for example – rather than local firms.

Large companies such as these find that research contracts with the university have two advantages, reflects Professor Duncan Dowson, in charge of the engineering, fluid mechanics and tribology department. They find it costs less than carrying out research programmes within their own commercial organisations and also enables them to tap into a breadth of intellectual resource often unavailable in the industrial sector.

But Professor Dowson rues that emall to medium sized companies from the local community are not switched on to this form of research in the same way as the multinationals.

Others, euch as Mr Stuart Dancer, assistant director and management co-ordinator of the polymer Interdisciplinary Research Centre (IRC), set up at the university in October, are concerned that industry-sponsored research of this kind can result in short-termism, with long-term scientific benefit undermined for the sake of commercial gain.

The academic achievements of the university end the polytechnic are rooted in their origins es institutions to educate the iocal community

"The danger is that this short-term research does nothing to build the scientific base, which is what industry wants the universities to do," says Mr Dancer, until recently a research manager in BP.

For the polytechnic, the strongest links with Leeds the city are through its business faculty. It is one of the largest in Britain, with 4,000 students. And like the university, the polytechnic is gearing up as centre for both local and international expertise for the next century.

On a local level, the business faculty is concentrating on accounting, law, banking and insurance – expertise needed as the city develops its role as a leading financial and commercial centre.

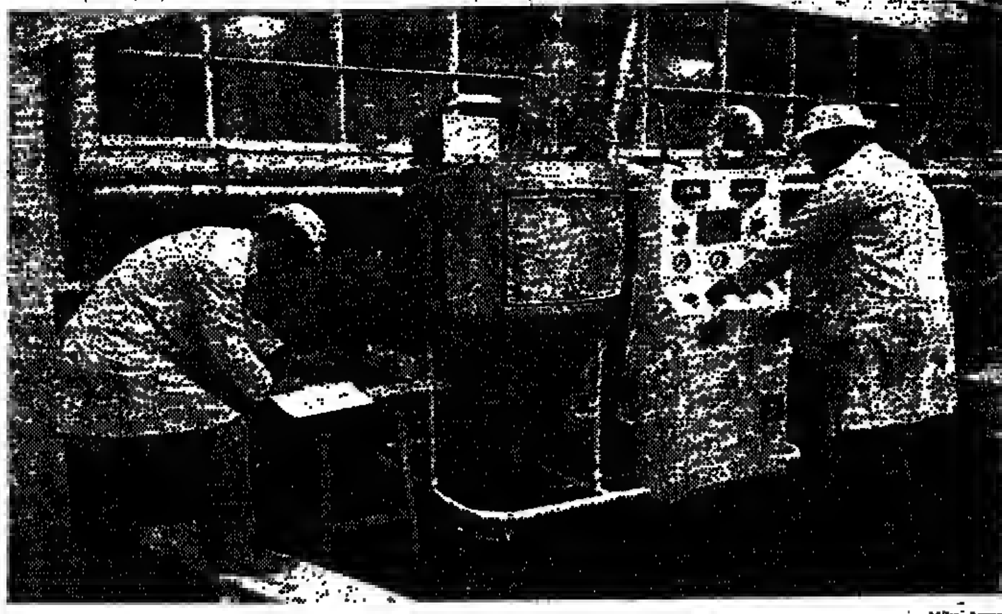
It is also looking further afield and training its students in international business practices, with courses, for example, which have elternate semesters in West Yorkshire and France.

If the relationship between local industry and the university is not as strong as many would like, the relationship with individuals in the community certainly are. As an employer, the university ranks among the top three in the city after the local council and the national health service.

Seventy per cent of all university income – worth over £106.5m in the year ending July – goes on wages, and not just wages for the academic staff (residences and catering operations cost £6m). The university and polytechnic between them fill the city with over 22,000 students every year. That number is growing, as the university looks to increased student numbers as a way of filling its coffers.

Marketing research to industry

'The go-betweens'



Mike Arran

Researchers at work in the Food Sciences Laboratory of Leeds University. Relations with the food industry became strained during the controversy over salmonella in eggs.

GLASS-MAKER Pilkington may have its roots fixed on the eastern side of the Pennines, but it has Leeds University to thank for the development of one of its more interesting products.

That is Cosecure, a daily dose of cobalt, selenium and copper which ensures that animal livestock – sheep in particular – get their required amount of minerals.

The novel feature of Cosecure is the way those minerals are given to the animals: in a tablet of dissolvable glass. As the lozenge disperses in one of the ruminants several stomachs, the nutrients are released bit by bit over the period of a year.

The go-between in the deal between Pilkington and the university was University of Leeds Industrial Services (Ulis), the development and marketing company of the university.

Having grown from a seed organisation in 1982 with two staff, Ulis now has 70 on the payroll and a turnover of £5m a year, and is viewed by the university as a vital conduit for increasing the university's revenues as the sqneeze on government funding of higher education continues.

Other organisations and routes have also been set up or expanded. The university's department of continued professional education, for example, which uses mainly university staff to give business or professional courses, has geared up over the past 18 months and now accounts for about five per cent of the university's business.

In June 1988, the Leeds University Foundation was set up, to increase sponsorship from alumni and businesses to fund research projects and finance building work – and both are now expanding.

Director of continued professional education, Frankie Todd, says the courses overall have to be self-financing, and are increasingly being viewed as e way of generating income.

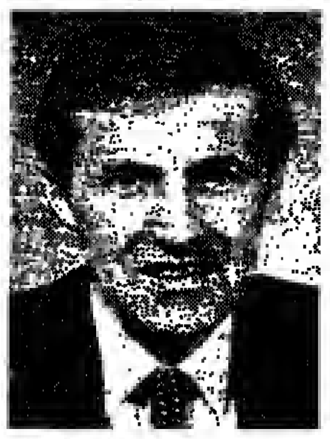
"There are more nebulous benefits, though," reports Mrs Todd, "Colleagues see relationships with outside companies as a way of helping students from the unversity get jobs at the end of the day."

The Foundation development director, Keith Copland, has also set up the US Foundation for the University of Leeds, with the aim of scouring the US for funds from ex-students of the university.

The university is now planning to appoint someone to head up a research enterprise office to work in conjunction with Ulis. The office's main aim would be to protect and exploit the university's intellectual property rights.

The three established departments are inevitably small by industrial or commercial standards. Perhaps because of that their approach to projects is pragmatic.

"We can work on a royalty or licensing basis. Or the rights for the development can be bought outright," says Bernard Stone, managing director of Ulis. "And sometimes we need venture capital to fund the developments. If there is a high risk, then companies expect a higher return."



Bernard Stone

Frankie Todd

Ulis'e single largest source of income came when it sold off one of its units lock, stock and barrel. Maxwell Communications bought the Organic Reactions Access by Computer (Orac) project, which maps out the various routes by which organic chemical can be developed, from Ulis for £1.6m.

In terms of ongoing income, one of the most successful projects is in consultancy, rather than licensing. The geographical modelling and planning (Gemap) system, developed in the urban and regional geography department, is a computer-based system incorporating social and geographical information on regions of the country. It is being used by retail outlets and distributors to help plan the effects of opening a store, say, in a given area. Who will go there? How far will customers be prepared to travel? How will it affect other stores in the vicinity?

Mrs Todd reports that her courses can be run on campus or off, for up to 300 people or just cater for a sole businessman if required. They can be for one particular company, or bring together people from a variety of backgrounds and countries.

"Having cottoned on to this, we're beginning to exploit it. Clearly it's another market, but it's also of benefit to the region. It's enormously useful for locals to get together with colleagues from other countries. In some sectors, such as construction and engineering, companies have to think globally."

To illustrate the point, Mrs Todd points to a course being set up by her department and the Pennsylvania State University to train US engineers who want to expand their activities into Europe.

One of the much emphasised selling points of the university's wares is the ability of such an institution to bring together areas of research from across the campus, an impossible task for all but the largest industrial concerns. The Cosecure development, is a case in point, as is work done on polymers by the departments of textile industry and chemistry, and on cancer seeking drugs by the departments of hiochemistry and colour chemistry (which focuses on dyes for the textile industry).

Professor Stan Brown's project in the biochemistry department was to find a cancer-fighting drug that could be activated by a specifically focused laser beam, to ensure that only cancer cells, and not healthy ones, were destroyed. To do that he needed a drug which absorbed red light and stuck to the cancer cells – exactly the sort of task the colour chemistry department was working on in its dye research.

But as relations with the commercial world expand, there are inevitable growing pains, in particular trying to marry the academic freedoms of a university with the commercial interests of would-be sponsors, as Keith Copland discovered.

One of his projects is to obtain commercial funding from the food industry to the tune of £1.29m to add extra laboratories to the university's proposed food science complex. The crunch came with the recent food scares on salmonella and listeria, when Prof. Richard Lacey of the microbiology department expressed particularly forthright views on the food industry's role.

That, says Copland, "did not make the relationship with the food industry any easier".

Della Bradshaw

URBAN PROBLEMS

Turning the tables in the inner city

TREND-SETTING business people in Leeds are changing their lunchtime arrangements and booking tables at Dr B's, a new Caribbean restaurant in the Chapeltown Road.

Knowingly or not, the diners are playing their part in a little parable of inner-city revival. Although Chapeltown Road is a mere minute or two's drive from the city centre, it is located in an entirely different Leeds. Evidence of high unemployment, poor housing, drug dealing and varieties of crime can be found in Chapeltown and its neighbouring inner-city district of Harehills by the visitor who cares to stop and look around.

Most business people, commuting between Leeds's outer suburbs and its city centre offices, tend not to stop and look around. One of the attractions of Dr B's is that it is beginning to entice back into the inner city people who would never otherwise visit it.

The Dr B in the restaurant's title is Dr Barnardo. Barnardo's, the charity which he founded, has established the restaurant with help from the Government and Leeds city council as a YTS scheme which will teach catering skills to local young people in the imaginative and attractive setting of a real-life business.

Dr B's is one of a variety of schemes which are trying to ensure that the people of the inner city, who experienced the full effects of recession and unemployment in the early 1980s, are not left behind again as unemployment falls.

In common with many other parts of the country, Leeds's inner city problems are heavily related to the needs of ethnic minority communities. Around 6 per cent of Leeds's population comes from ethnic minority backgrounds – a low figure compared with neighbouring local authority areas like Bradford and Kirklees, and broadly equivalent to the proportion of ethnic minority citizens in the national population.

But some 80 per cent of Leeds's ethnic minority families live in the inner-city areas where social and economic pressures are greatest. The city's largest ethnic minority groups are Asian and Afro-Caribbean, but Leeds also has strong Chinese, African, Vietnamese, Turkish and Arab communities. Unemployment for all ethnic minorities is higher than for the white population, and is exceptionally high for some minority communities.

Again in common with black people in other parts of Britain, unemployment is not always the worst problem. An independent investigation set up by the city's Community Relations Council three years ago found that racial harassment was a major problem. A survey of the city's black people showed that 64 per cent had experienced verbal racial abuse, 35 per cent racist graffiti, 34 per cent broken windows and 26 per cent physical assault.

Leeds has further to go than some cities, like Bradford and Birmingham, in seeing members of ethnic minority communities achieve elected office or senior public positions. There is at present only one non-white member of the city council. A single head teacher in the city is an Asian.

The council has operated an equal opportunities unit, responsible for the special needs of ethnic minorities, women and the disabled, since 1983 and the council is currently financing a substantial programme to recruit specialist staff to promote equal opportunities in its schools.

Councillor Fabian Hamilton, who chairs the sub-committee responsible for racial equality, accepts that the council has to make further efforts itself, as the city's leading employer, to encourage wider opportunity.

"Our housing department has established targets and hasdeveloped a policy to ensure that ethnic minority employees are adequately represented to all levels of employment. We have to ensure that the issue is one which is alive in the thinking of all departments when policies are being made and implemented."

Mike Arron

Part of the problem of inner city Leeds is a stock of well-built houses like these run-down properties in Chapeltown, which contrast starkly with modern developments.

The Chapeltown and Harehills area of Leeds contains one of the most active of the Government's inner city task forces, small teams of civil servants and business secondees set up to promote and help channel funds to inner city training and employment initiatives.

Leeds's inner city problems are heavily related to the needs of ethnic minority communities, reports ALAN PIKE

Around two-thirds of the 25,000 population of Chapeltown-Harehills are from ethnic minority backgrounds, and the area's unemployment rate is double the Leeds average. Since its establishment as one of the Government's first eight task forces in 1986, the Chapeltown-Harehills unit has supported more than 100 projects, one of the largest being CHEL – Chapeltown and Harehills Enterprise Ltd – which has created much-needed small workshop space in the area. The workshops, created out of a former cash-and-carry warehouse, were opened in July and 44 of the 60 spaces are let.

One of the keys to inner city regeneration is training – inner city residents often lose out on job opportunities in their locality through lack of modern skills. Chapeltown-Harehills is the location of a particularly imaginative project to prepare the area's next generation of employees with computer skills, and improve their general education.

The Chapeltown and Harehills Assisted Learning Computer School takes young people aged between eight and 16 out of school hours, and uses extensive exposure to computer-based learning to raise their overall educational potential. The scheme, which operates at evenings and weekends, has 300 school pupils from Chapeltown and Harehills on its courses, and a similar number on its waiting list. It recently managed to double its intake following the donation of £94,000-worth of computers and other equipment by Unisys. Around 85 per cent of students are from ethnic minority backgrounds.

Mr Brainard Braimah, a former school teacher who directs the project, sees the scheme as a means of raising not only the skills but the expectations of inner city young people.

"Unskilled work is fast disappearing. We not only have to train young people for the more demanding jobs of the future, but make youngsters from the inner city aspire to higher quality occupations. When we ask young people who have been on our courses what they want to do when they grow up, they don't say they are going to be bus drivers and shop-keepers. Their expectations have risen."

Mr Braimah hopes the scheme will help overcome the two unemployment problems facing ethnic minority communities – not only is unemployment at its highest among ethnic minorities, but black people are less likely to be employed in professional and other good-quality white-collar jobs.

Programmes aimed specifically at black people to help overcome this type of problem are lawful under the Race Relations Act, and Path, a charity which provides this type of training, has its largest scheme in Leeds. The city council and an increasing number of private employers are participating in the scheme, which combines work experience with further education.

"There are now about 100 trainees per year on the Path scheme and it is achieving a 90 per cent job placement rate," says Mr John Roberts, Leeds's chief community relations officer. "All trainees are prepared for fully-recognised qualifications and the scheme is opening up opportunities for Asian and Afro-Carribean young people in professional and managerial areas, where ethnic minorities have been hugely under-represented."

Martin Regan talks to the accountants

Shortage of supply

FOR the young, ambitious accountant, Leeds is no longer a financial backwater.

The transformation of the city's financial services base and parallel growth in professional services has created a sophisticated financial market-place. All the big players are represented and there is a large number of smaller practices.

It has been organic rather than opportunistic growth, according to Brian Boutell the managing partner of Peat Marwick McLintock's Leeds office, which now has a staff of almost 400. The company will soon move to larger premises on the Embankment, a move which in addition to meeting space requirements will push outwards the boundaries of the congested city centre.

The rise in staffing levels has not been uniform. Certain divisions, most notably management consultancy, corporate recovery and taxation have enjoyed extraordinary growth.

Brian Boutell says this reflects the fundamental changes in the services provided to local businesses – "ten years ago, what people wanted was audits, tax planning and a bit of advice. The scene has changed fairly dramatically: businesses are now more ambitious and demanding specialist services.

"There is a very large spread of industries around here, and that in turn has led to a large number of entrepreneurial companies and the need for a more provocative financial approach" he said.

Surprisingly, the Yorkshire businessman's suspiciousness of outsiders is universally acknowledged as a factor in the local markets. John Smithies, a senior partner with Binder Hamlyn, says the effects of Yorkshire insularity should not be under-estimated.

"They just wouldn't listen to someone who came down from London in red braces and told them how to run their businesses. The likelihood is that they simply wouldn't pay the fee," he said.

The peculiarities of the Leeds market are however, overshadowed by national trends. The shortage of accountants, the threat of recession and the arrival of 1992 are the main preoccupations of the city's accountants.

Leeds, without the established university network of a Manchester or Birmingham, must trawl outside the city for recruits, making the process more expensive. There are around 4,000 acconntants in Leeds, but, says Nigel Heap of Accountancy Personnel, there would need to be 5000 to meet demand.

Upward pressure on salaries is intense. Graduates joining any of the big Leeds practices next year will get around £9,500, while newly-qualified accountants can expect £16,000. Coopers and Lybrand also give cars to the newly-qualified, though on a loan scheme.

Derek Naylor of Grant Thornton: "forensic" accounting

Fears of a recession are not yet deep seated, though there is a recognition that current fee income is weighted towards activities which are essentially geared to expansion.

As Brian Boutell said: "We are seeing local companies which went to the market now wanting to become private and that is having an effect. There are a number of companies that are very profitable and that have no intention of going to the USM".

David Naylor, managing partner of Grant Thornton, argues that the increased caution is only evident among the larger companies – "we still have a number of clients who are targetted for the USM, but there have been changes. The size of MBO's, for instance, are getting much smaller," he says.

Medium-sized companies will provide the main battleground over the next few years. Grant Thornton is already working on a new range of business services, including a forensic accounting service, which will quantify any kind of claim.

"There has been an increase in litigation which has fed the lawyers and which in turn has fed us. There has to be the development of niche markets of this sort," he said.

Richard Hayter, managing partner of Rawlinson, Milne Booth, a practice formed earlier this year with the merger of two long-established local practices is after the same market.

"There is a huge 'no man's land' of what I call 'owner-occupied businesses with ambition' – people who are making £100,000 pretax profit and looking towards £1m.

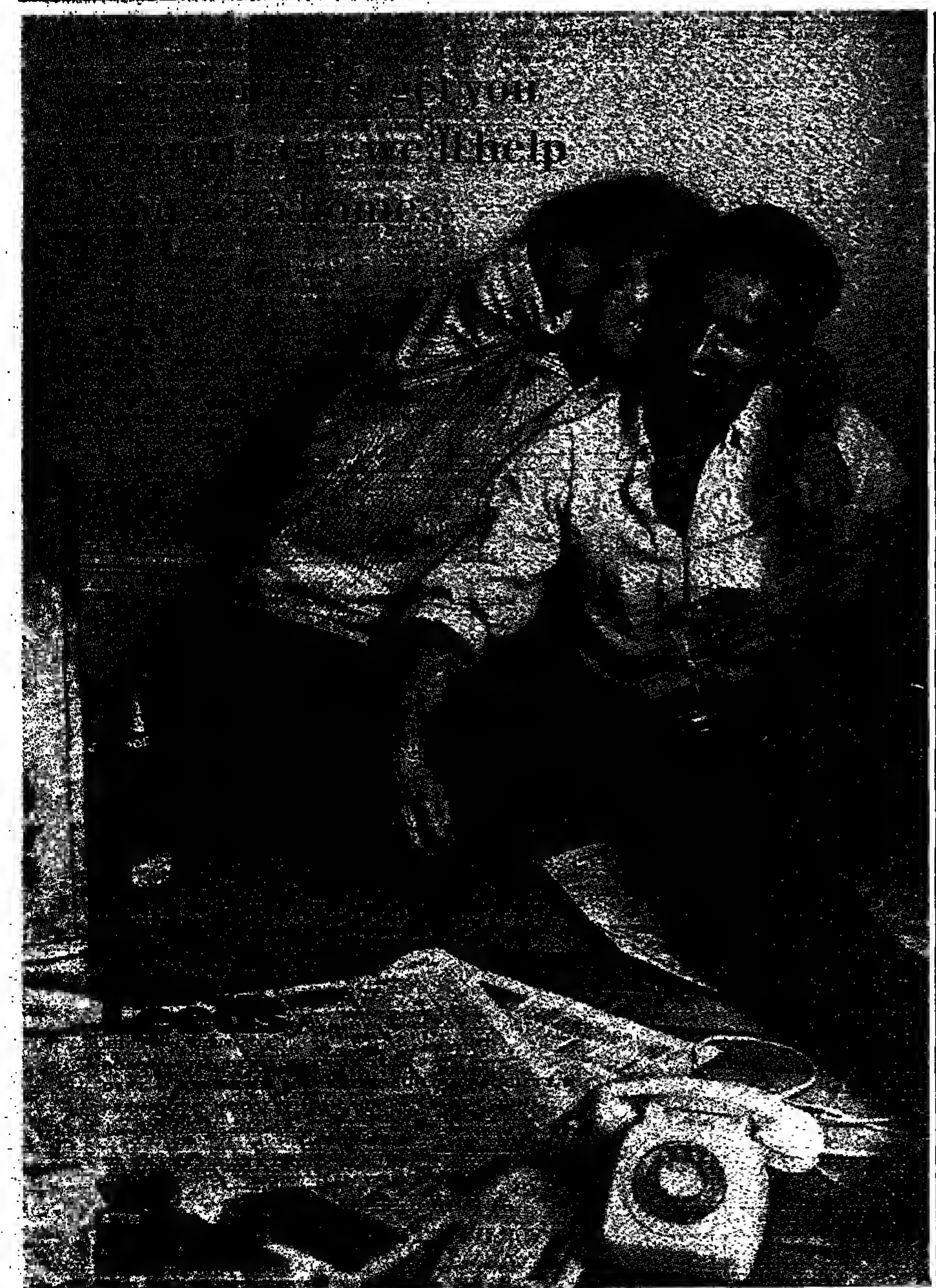
"You don't get these companies by putting fancy titles around what accountants should be doing, anyway. We have a lot of textile and yarn companies in the area and when I deal with them I've got to have a 'wool man's head' on my shoulders."

Wooing these companies is particularly crucial with the arrival of the single market. Large corporate clients are already involved in Europe. The opportunities are in representing those who are not.

It is a fact of which the big players are well aware and with existing organisations already in Europe, Binder Hamlyn's John Smithies believes they are likely to squeeze the smaller firms out.

Despite the defensive mentality, the city's accountants remain serene about future prospects. David Naylor is particularly bullish: "I don't think the Leeds environment will go into a full recession. Of course, it depends on the sector, but it isn't just about commercial work. There is an awful lot of personal wealth around."

If there is a significant downturn, the insolvency specialists already busy with the fall out from an expanding economy can look forward to even more work. As Peat Marwick's Tony Richardson aptly points out: "Accountants can make money as either the midwife or the undertaker."



Ian Hamilton Fazey meets the new leader of Leeds City Council

Eliminating the negative

MR JON TRICKETT is proud of Leeds but wants to be prouder – "the difference between a regional centre and a regional capital lies in quality. We aspire to becoming the regional capital but we are not there yet. That's what I want to see us becoming."

This year, at the age of 39, he took over from Mr George Moody as leader of the Labour group that controls the 99-seat Leeds city council. His influence on the city's development will be crucial but anyone hoping for political flamboyance will be disappointed.

"I want to change the face of Leeds – but in a benign way," he says, by which he means that he wants to guide rather than force developers and inward investors towards what the city wants from them.

He hopes to make it as easy as possible, avoiding all but the necessary planning constraints and procedures. He wants to set up a series of Leeds initiatives with private sector and other political leaders to develop consensus.

He has already put some political currency where his mouth is.

Recently the council approved a plan to build a £100m underground transport system in the city to improve its basic travel-to-work infrastructure. The plan will not go forward for Parliamentary approval because Labour had to force it through against opposition wishes.

"Everyone has to be behind a project of that size and significance," he says. "It would take years and we might not be in power for all of them. We could not achieve consensus so we are looking at it again.

"I am keen to develop a Leeds initiative on transport and other big issues. We want to rule by consent. I don't want to be known for strife. If we achieve a high profile we want it to be because of positive achievements."

The Labour parties in charge of many northern cities and inner London boroughs would not tolerate Mr Trickett, who fits no stereotypes. Some would not approve of the Leeds party itself, which grew from mixed artisan roots.

"The people of Leeds would not tolerate a Labour party which was tearing itself apart," he says. His conciliatory political instincts have seen him take care to involve his own group's few left-wingers with policy making, rather than marginalise them.

His attitudes are not new in the city, as Mr Peter Coles-Johnson, chief executive of the chamber of commerce avers. "Political leaders have always taken a low profile," he says.

"We haven't suffered from the far left. We have always had a dialogue. There has never been an anti-business attitude and no one has tried to make our members pay disproportionately for council services. The rates have therefore been relatively low.

"There is a consensus in Leeds to get the best for the city."

Mr Trickett was even his own boss – a self-employed plumber and builder – before winding up his business two years ago to work full-time in politics because he found he could not cope with both jobs.

With Leeds as short as anywhere else of skilled tradespeople he could have made a comfortable living in such an expanding city but says: "I believe that you ought to put something back into the community if you can."

Achieving consensus is a matter of definite policy which transcends aggressive political rhetoric common elsewhere.

Remarkably, he says: "We outnumber the Conservatives by 61 seats to 20. That looks like a big majority but the swings here always go against the national party of power. One day they may have power again, so we try to treat them with respect because that's the way we would want them to treat us."

When one large company felt it was being bogged down by red tape last month and wrote to him, he invited the managers in for an 8am meeting the next day to clear the air. He says that he does not want people simmering with suppressed rage because they feel they cannot be heard.

He tries to keep the political temperature down in more subtle ways too. "I have banned some words which are widely used in political circles from all of our correspondence and publicity," he says. The words include "fighting," "battle" and "struggle."

"Negative words are removed from every communication sent out by the council. Everyone knows that they should use positive words and be welcoming," he says.

"In fact, we understand the importance of putting on a friendly and welcoming face to everyone. We may have internal disagreements but we handle them quietly and behind closed doors."

He also accepts criticism of the city because he wants to understand the views of visitors and try to improve things. For instance, Leeds may well be the home of Opera North and the Playhouse but the city has a very provincial feel to it at night.

Manchester and Liverpool have much more night-life and each functions as a 24-hour metropolis. The friendly but faded Metropole Hotel in Leeds typifies the deficiencies: there is little competition and the visitor who cannot get into the Hilton or the Queens has to lump it.

The city is trying to market itself as a leisure centre – and can build upon a large base of visitors, most of whom go there at present because they have to. But a walk through the city centre on the way back to the Metropole from the Playhouse in mid-week soon reveals its emptiness.

As Mr Peter Cooke, retail property specialist at agents Bernard Thorpe, puts it: "Leeds is a 9 to 6 city. Late night shopping involves a few shops staying open until 7 pm. Many close at 5.30 pm. Leeds competes for eight or nine hours a day. There's more to being the capital of the region than that.

"Leeds is mainly potential rather than reality at the moment. Its range is narrow everywhere – social, retail, commercial, hotels and leisure. The city centre looks a bit scruffy underfoot, there are potholes in the roads and the pavements are uneven. We should be able to compare ourselves favourably with somewhere, say, like Bath and we can't yet."

Mr Trickett responds: "We are trying to get a major initiative going for the city centre. I accept what is said about its being a dead centre at night.

"But we need to spend £600,000 to put the pavements right. I would certainly like to see more night life created and more bistros, wine bars and similar places where people can just pass the time happily."

The problem will be partly solved when the Victorian Quarter – which is being developed by Prudential Assurance – opens next year. This will be an arcaded area of up-market shops and watering holes of the type now common in cities with a more garrulous evening sound to them.

As Mr Trickett puts it, more quality is needed to help Leeds city centre emerge from its role as a place where people go to work. Being aware is half the battle. His consensus approach should do the rest.

Ian Hamilton Fazey

Jon Trickett: 'We want positive achievements.'

James Kelly examines industry's widening horizons

Europe is beckoning

THERE was a time when being the best in Yorkshire was good enough for many Leeds businessmen. The city's current slogan: "Capital for Business in the North", reveals a slighter wider horizon.

The new wave of optimism, only slightly dented by the feared recession, places the city on a European stage: a Milan to London's Rome.

In spite of the impact of higher interest rates, nearly a quarter of Leeds companies are reporting higher levels of export sales and nearly half expect profits to increase in the next year.

Any disquiet that does surface, and there is a tendency in the city to avoid talking the manufacturing sector into a local recession, springs from fears that a slow-down in the economy will stop firms investing in long-term development: the Leeds Chamber of Commerce reports that there has already been a "sharp downturn" in investment in plant and machinery.

The great strength of the city's manufacturing sector is universally seen as being its diversification. Unlike other Northern centres which carry a strong product image, like Sheffield's cutlery; Leeds boasts an economy as mixed as the UK's own. A minature economic model of the nation's economy.

Leeds, with 12,000 businesses, had 3,000 in manufacturing employing about 72,000 in 1984, with 300 companies employing more than 100 people. Since the 1950s, there has been a decline in manufacturing in favour of the service sector, although the mix of activity has not been polarised.

Broadly, three historic sectors support the core of manufacturing based on engineering, clothing, and printing, packaging and publishing. From this broad base, success has been secured by a flexible approach to securing new markets and producing new products.

Hunslett Engineering, for example, has a history of 130 years in engineering going back to steam engines, but is now heavily involved in producing equipment for the Channel Tunnel, while taking a 51 per cent holding in Ganz: the Hungarian state engineering concern.

Vickers Defence Systems, operating on the old Royal Ordinance factory site, is proving its ability to produce a successor to the Chieftain tank; while Optare, the subject of a management buyout, and formerly part of British Leyland Buses, is producing the new generation of small, de-regulated buses; and John Waddington's, while continuing with the production of games like Monopoly, also print bank notes for the world market.

Industry has great hopes of the planned Channel Tunnel freight terminal at Stourton, where 75 acres has been earmarked for linked development. Brian Holdsworth, group leader development for Leeds City Council, sees promise in the fact that Leeds boasts a high number of small-to-medium sized enterprises which are expected to extract maximum growth from the single European market of 1992. Stourton would provide the city with a 36 hour, efficient and direct link to cities such as Milan.

It is also hoped that inward investment in the area, particularly from the US and Japan, will be prompted by progress towards the single market providing a strong stimulus for non-Community based businesses to locate before the feared imposition of trade barriers.

Another assisting factor in keeping the city's manufacturing buoyant is seen as the remarkable growth of financial and services sectors. Leeds has six of Britain's top legal practices and Mr Holdsworth believes this kind of facility is a positive location factor for new businesses.

Leeds' latest manufacturing success: Ashley Ward, the former racing driver who bought into Wharfedale three years ago, last week took the famous loudspeaker company public, via a reverse takeover of Audio Fidelity, the electronics group.

Dr Chris Leigh, of the University of Leeds, while noting that manufacturing has lost 13,000 jobs between 1981-87, believes that the high levels of diversification and local ownership provide the city's principal economic strengths.

While she reports that the labour market in the city is not tight, there are two main problems; the mopping up of female labour by the burgeoning service sector and a dearth in top quality management – but that problem may be paradoxically solved by the service sector growth which may attract new talent.

Stuart Ross, assistant secretary of the Leeds Chamber of Commerce, believes the service sector boom has a ripple effect: "The whole city has become more attractive to inward investors." Within the manufacturing sector, the Regain Project has been launched to try and find local replacements for imports used by local companies.

He perceives internal diversification and high technology production as the keys to continued success in the manufacturing sector and points to the development of laser technology by Waddington's under the chairmanship of Victor Watson as an outstanding example. And he believes that the city's labour market is a positive location factor with its tradition of moderation and pragmatism.

But it is the danger of decreasing investment in the face of rising costs and a tough trading situation which most worries Mr Ross. It is a situation which also worries the Chamber's members; 66 per cent of whom said inflation was affecting their businesses but 85 per cent of whom pinpointed high interest rates as the principal danger.

Sulzer Pumps provides a good snap shot of Leeds' leading edge manufacturing concerns. Swiss owned, it moved to a new factory near Elland Road eight years ago at a cost of £15m. It provides highly specialised centrifugal pumps and is heavily involved in the power, water, gas and oil industries.

According to managing director Mr Martyn Thomas, its long-term expansion is assured, although it is highly senstive to government policies, and changes in government policy, in the short term. Despite Government uncertainty over nuclear power, traditonal generating, and power station emission control; oil, gas, and water are seen as assured areas of growth. On the world stage its £30m turnover is assisted by exports for Japan to the Third World, the Gulf, Norway, India, China, and North Africa.

While Mr Thomas avoids the danger of talking down the economy: "I have sympathy with the view that we are talking ourselves into a recession. I think the chances are there will not be a significant recession for our business."

SECTION IV

FINANCIAL TIMES SURVEY

Merger talks — not always successful — between the large firms have shaken the accountancy profession to its roots. In spite of public concern at the way some firms are developing, the turmoil of the past few years is likely to continue, writes **David Waller**

A world of excitement

ACCOUNTANCY

NEVER HAS the accountancy industry been so at odds with its image of worthy dullness. It is in turmoil, galvanised by the pressures of rapid growth, of fierce competition, of increasing regulatory interference in matters which for a century or more have been the preserve of professional judgment. In short, the world of accountancy has never been more exciting.

This became clear to the public at large this year with the spate of extraordinary mergers — and merger talks — between the firms at the top end of the profession. Given the increasing internationalisation of the firms' client base, consolidation among the so-called Big Eight had been expected for years, but the way in which the realignment of the industry took place undoubtedly served to diminish the stature of the profession as a whole.

Although 1989 will be remembered as the year of the mega-merger, it is wise to reflect that only one mega-merger has taken place in the form originally intended, and that is the link between Ernst & Whinney and Arthur Young to form Ernst & Young. Subsequent talks between Arthur Andersen and Price Waterhouse came to nothing, and the merger between Deloitte Haskins & Sells and Touche Ross has been messily complicated by the defection of Deloitte's UK and other practices to join Coopers & Lybrand.

The saga has illustrated a gulf between the image which the firms like to project of themselves for marketing purposes — cohesive international organisations capable of providing the same professional service anywhere in the globe — and the reality, that they are businesses riven by geographical differences and inter-disciplinary rivalries. Looking at the Deloitte/Coopers/Touche imbroglio, clients the world over are entitled to ask themselves whether their auditing firm could break apart at the seams, too.

Perhaps, at bottom, there were sound strategic reasons for the mega-mergers. After all, business is becoming more global and the costs of servicing global businesses are increasing. So was it not sensible for the firms to come together to share the costs of research and development, of training and technology? The result, it could be argued, would be a better service to the client and a more profitable business.

The trouble was that the message was not communicated effectively. Public pronouncements from all the merging firms were bland to the point of meaninglessness, giving the impression that the partners were rushing to agglomerate for the sake of size alone. And when PW and Andersen decided, after months of talks, that they could not form an alliance, one was left wondering why it took the combined brain-power of two of the finest service businesses in the world to come to a conclusion — that the firms were mutually incompatible — which was evident to the casual observer on day one.

That mega-merger fever was contagious was illustrated by the unfortunate case of Horwath & Horwath and Spicer & Oppenheim, two medium-sized firms which briefly flirted with the idea of a get-together. In the event, the talks were abandoned at an early stage. What consolidation the industry has undergone has thus limited itself to the top end of the market, exacerbating the traditional polarisation between the Big Eight — now Six — and the rest of the field.

To the outsider, it was curious to see that regulators did not seize upon the opportunity of the mega-merger season to clamp down on the activities of the big firms, which have long seemed powers unto themselves, organisms of immense economic muscle with apparently declining loyalty to the professional bodies which are the engines of self-regulation in many of the countries in which the firms operate.

The marked absence of a probe — either from the Securities and Exchange Commission in the US or the Office of Fair Trading in the UK — was perhaps a reflection of the intensely competitive nature of the markets in which the firms operate. There was some fear, when the mergers were announced, that the field would be narrowed and competition stifled. First impressions — amid accusations of "lowballing" and other thoroughly unprofessional practices — suggest that the knives are out, sharper than ever before.

If the problems of the last five years have been those associated with rapid growth and vaulting revenues, the challenges of the next threaten to be different. The performance of the firms is highly geared to economic prosperity and industrial restructuring and — in the UK context at least — it is not yet clear quite how the firms will deal with the widely predicted "hard landing". True, there might be — there already has been — a dramatic pick-up in insolvency business. But whether that will compensate for the inevitable decline in other sorts of business, from consultancy to corporate finance, remains to be seen.

In south-east Asia and the European Community, the outlook for growth is far rosier than in the maturing markets of the UK and the US. It is significant that the Deloitte-Touche combination wanted to call itself — may still call itself, depending on the outcome of a courtroom squabble over the firm's name — Deloitte Ross Tohmatsu, in honour of the importance of the Japanese market. Meanwhile, the firms which have identified Europe as the battleground of the future are scrabbling to link up with those national firms which have not already formed international alliances.

For many accountants in the UK though, the notion of Europe carries a connotation entirely at variance with that of opportunity. For it is Europe — more specifically, the European Commission via its Fourth, Seventh and Eighth Company Law Directives — which threatens to change the face of the profession in the UK. This year's Companies Act, embodying the Seventh and Eighth Directives plus some of the UK's Government's own ideas, imposes a heavy regulatory burden on the profession.

The Act provides a formal legal framework for many financial accounting matters. More importantly, it requires that auditors possess a qualification from a Recognised Qualifying Body and that their work is regulated by a Recognised Supervisory Body. Once the law takes effect, in early 1990, the professional bodies will have to shrug off their traditionally passive regulatory role and start monitoring the firms actively.

The Act will also allow firms of auditors to incorporate, to turn themselves into companies for the first time in the long history of the UK profession. It also envisages the setting up of a new regime for accounting standards — the so-called Dearing proposals for a Financial Reporting Council and Review Panel, with considerably more clout than the 19-year old Accounting Standards Committee.

The impact of this legislation is far-reaching. On specific points, the reporting council ought to be able to resolve the impasse over accounting for brands and goodwill, where the ASC — through no fault of its own perhaps — has moved at a snail's pace.

The ASC has never had the resources to formulate a coherent "global" philosophy on accounts or the power to enforce controversial standards. All this ought to change once Sir Ron Dearing — both originator of the proposals and now their executor — has found a way of financing the new regime.

On the incorporation front, the law will allow non-auditors to own up to 50 per cent of an auditing firm, but the professional bodies hope to restrict that proportion to 25 per cent. In practice, few firms are expected to turn themselves into companies, if only for tax reasons, but they are likely to admit consultants and other non-auditors into their hallowed partnerships. The impact on the culture of the firms will be enormous.

More generally, the Act imposes another heap of regulations on the firms — following on from the Insolvency Act and the Financial Services Act. The cost of compliance will be high and will feed through to the fees billed to clients. Another, less tangible cost, will be the impact on the way accountants conduct themselves.

The new legislation will encourage practitioners to forgo professional judgment in favour of punctilious compliance with the letter of the law.

The accountancy profession — perhaps better described as the accountancy branch of the financial services industry — has been in a state of flux and turmoil for the last few years. Judging by the most recent developments, that flux and turmoil will continue for many years to come. Amid all the confusion, one thing is certain: now is an exciting time to be an accountant.

CONTENTS

Illustration John Batten
Editorial production Gabriel Bowman

ACCOUNTANCY 2

David Waller follows a game between giants

A year of mega-mergers

THE INTERNATIONAL market for professional services may be likened to a strange and fiercely competitive game played between a small number of clumsy giants. It is a special game because it is not supposed to be played for the benefit of the giants themselves but for another race of people altogether, called the clients.

The trouble is that the game is so much fun – there is so much scope for changing the rules or teaming up with the other players so as to batter the rest into submission – that the giants often get carried away and forget for whom they're playing. They become preoccupied with themselves and although outsiders can spot them stumbling, they are not aware that they have lost their balance at all.

One such episode in this long-running game – it has been going on since at least the end of the Second World War – took place this year. Two of the eight players astounded the others by forming a surprise alliance. Although this move had been expected by theorists of the game, the other six players were staggered when Ernst & Whinney and Arthur Young downed their cudgels and formed a new alliance, Ernst & Young.

This move prompted some desperate soul-searching. Tired out by decades of intercontinental effort, all the other players but one decided that they better follow suit and consummate a merger. But it proved very difficult to know with whom to merge. Although to spectators of the game, there appeared to be little difference between the players, they knew better.

Some of the players had better international support structures than others, particularly in Europe, likely to be the theatre of operations for the next stage in the perpetual battle. Others had better clients, or were afflicted by strange diseases called litigation or audit incompetence, or bad management. In the event, these problems did not seem insurmountable.

The biggest giant of them all – and one which has always been quite agile on its feet, for

UK FEE INCOME (£m)												
Firm	1983	%*	1984	%*	1985	%*	1986	%*	1987	%*	1988	%*	1989
Peat Marwick Mitchell	64.3	16	74.3	17	87.2	31	114.4	24	207.2	27	262.5	20	315.6
KMG Thomson McLintock	31.6	11	35.2	26	44.5	18	52.5	24					
Coopers & Lybrand	60.0	21	72.5	30	94.2	27	119.4	20	143	20	172	31	226
Price Waterhouse	60.2	14	68.8	23	84.9	26	106.9	26	139.6	28	178.6	24	222
Deloitte Haskins & Sells	60.5	15	69.8	18	82.2	21	99.3	22	121.1	25	151.1	25	188.8
Ernst & Whinney	52	8	56	25	70	18	82.9	21	100.7	20	120.9	23	148.4
Arthur Young	46	17	54	16	64	17	75	20	90	20	108	25	135.5
Touche Ross	47	11	52	14	59.5	29	76.5	22	98.6	26	116.6	22	141.8
Arthur Andersen	35	17	41	15	47.1	42	67.1	24	91.3	24	113.4	27	144.1

*Rate of increase year-on-year. Source: Coopers & Lybrand

all its size – was Arthur Andersen. It held some intensely secret discussions with the player which it most respected, one called Price Waterhouse. PW – which had the special attribnte that its name is virtually eynonymous with the accounting profession in the UK – liked the idea of a merger. On July 6, the two

Strange diseases called litigation or audit incompetence

firms announced that they were planning to team up.

Clients and other fans of the game knew that PW and Andersen were strong players precisely because they were very different from one another. Andersen's artillery was boosted by its computer consulting division, a veritable Big Bertha of a weapon. Moreover, its headquarters were in the US. PW, by contrast, was very strong in audit, and had a gentlemanly sort of culture which some would mistake for arrogance.

Worries about the strategic sense of these moves were drowned in the flood of events. That very day, two other players announced their mergers. These were Touche Ross and Deloitte Haskins & Sells. Neither was as strong a player as Andersen or PW, but Deloitte, for one, had been engaging in all sorts of body-building exercises since 1984 when – in an earlier exciting episode of the game – PW rejected it as a merger partner.

Left out of all this frantic match-making were two players, Coopers & Lybrand and Peat Marwick Mitchell, which went under the other name of KPMG when conducting operations elsewhere in the globe. Peats – a very patrician sort of player, but tough nevertheless – was happy to be on the sidelines, having merged with KMG two years ago.

Coopers, however, was hopping mad. It had always liked to be a big player, and all of a sudden it looked as though it would be relegated to a different league of the game altogether.

At first, Coopers tried to make a virtue out of being big but different. Advertisements appeared saying how the others had gone off course. The senior partner, Mr Brandon Gough, took to the pages of the Sunday press to denounce the King Kong philosophy behind his rivals' actions. All this was just a smoke-screen, though, and Coopers was secretly preparing to deliver a knock-out

Secretly, Coopers prepared to deliver a knock-out blow

blow.

Meanwhile, PW and Andersen took several months to decide what everyone else had realised all along, that they were not compatible. The game took on a new dimension as Andersen accused PW of being on the point of breaking apart across the Atlantic and of being financially troubled because of pension problems in the US. PW retorted by saying that Andersen had a regulatory problem because it had too cosy a business relationship with some of its audit clients. Moreover, PW whispered, Andersen was abont to split between its consulting and audit arms.

While these accusations were being hotly denied by both sides, the focus of the game shifted to Coopers. In a move of astonishing bravura – but one which was so radical that it threatened to undermine the rules of the game altogether – Coopers announced a merger with Deloitte in the UK. But Deloitte in the US still wanted to get together with Touche Ross. The result: Cooper/Deloitte vanits to being number one player in the UK, and Touche slips to being the smallest player – hut Deloitte's international operation starts a process of disintegration which is far from over yet.

The next stage in this extraordinary saga: Deloitte's UK team goes to court with its counterpart in the US, fighting over the right to the Deloitte name.

The other players have started to eye up the vulnerable parts of the Deloitte empire – the UK-based multinational clients which do not want their overseas operations to be serviced by Coopers, the UK subsidiaries of Deloitte's US-based clients. Of the companies in the latter category, Merrill Lynch Europe, Vauxhall Motors and Dow Chemical have already switched to Touche.

It is perhaps too early to assess the consequences of 1989, the year of the mega-mergers and lots of merger talks, in the game's venerable history. However the firms do seem to have forgotten what is supposed to make their game different from others: that it should be played for the benefit of their clients.

THE PROFESSIONAL INSTITUTES

Bodies that show their age

ACCOUNTANTS HAVE to live with a bald social fact: that professionals like themselves, who have sweated through years of hard study and training to win a qualification, no longer command the respect of the general public in quite the same way that they used to. Gone are the days when the words of an accountant – or those of a solicitor or a doctor – filled everyone with awe. Scepticism and irreverence are the order of the day.

The same applies to the professional bodies which represent those estimable men and women who are lawyers, accountants and doctors. These venerable institutions seem outmoded; their pronouncements, rule-books, ethos, all outdated, and their authority over their members apparently negligible in the era of the go-getting Thatcherite entrepreneur. Just what role do these bodies have in this day and age?

Limiting the analysis to the UK accountancy profession, it is evident that it sorely needs to rationalise itself. It is impossible to justify the existence of no fewer than six professional bodies for accountants in the UK. It is difficult to see how the bodies are relevant to their members, who will be employed in every business area from management consultancy and financial management to broking and merchant banking.

Moreover, it is difficult to spot a degree of communality even among those accountants – to be more specific, those accountants belonging to the Institute of Chartered Accountants in England and Wales (ICAEW) – who have chosen to remain in professional practice. This auditing market is segmented between the Big Six, the medium-tier firms and the rest. A partner in Arthur Andersen in London is a different creature from a sole practitioner in Newcastle. The bigger the firm, the greater the loyalty to the firm rather than the Institute.

The profession, which first contemplated the formation of a British Institute several decades ago, manifestly failed itself this summer when the merger of the two Institutes – of England and Wales and of Scotland – came to nothing. The Scottish accountants voted 55 to 45 per cent against the union – a much higher per-

Negligible authority in an era of go-getting entrepreneurs

centage than expected. The poll testified to the strength of nationalist sentiment in matters such as these, and to the divide between those in the big firms – many of whom could see the advantages of a link-up – and the backwoodsmen for whom an alliance with the Sassenachs was anathema.

Quite where this leaves the Scots Institute remains to be seen. The distinctiveness of Scottish accounting is preserved, but at what long-term cost to its members? It remains a fact that legislation – first the Financial Services Act of 1986 and subsequently this year's Companies Act – will require regulation of the firm, not the individual members. Scottish accountants are likely to find themselves in firms regulated by the English Institute.

Undeterred by this summer's public relations setback, the 90,000 strong English ICA – the members of which voted overwhelmingly in favour of the merger – has embarked on what appears a radical reorientation strategy. In its own jargon, the Institute is restructuring itself in a market-driven fashion to reflect the needs of the members, while maintaining its commitment to the rationalisation of the profession.

This means in practice: (a) a proposal to merge with the 12,000-strong Chartered Institute of Public Finance and Accountancy (CIPFA); (b) a move towards faculties to reflect the interests of its members in vastly different fields of work; (c) setting up a General Practitioner Board and a Board for members in industry, finance and commerce and (d) introducing Training Outside Professional Practice (Topp), a radical concept which envisages the creation of chartered accountants in industry, so far introduced by the Irish alone out of all the Institutes.

The merger with CIPFA seems eminently sensible and is – one hopes – unlikely to stir up the same sort of hostility as the Scots proposal. The vote on this will take place next spring. At the same time, ICAEW members will be asked to vote on Topp – an idea which for cost reasons is unlikely to take hold in industry, although it which may prove ideally suited to the public sector institutions for which CIPFA members work.

The internal reorganisation of the Institute, into faculties for those working in tax and insolvency at first, to be followed by similar organisations for audit, financial management and so forth, is evidence of a professional body adapting itself to meet changed circumstances. The greatest threat to the authority of the Institute is clearly perceived to be the diversity of the jobs held by its members.

Another threat is the regulatory environment introduced by the Companies Act. This legislation gives the Institute a new double-headed role as a Recognised Supervisory Body and Recognised Qualifying Body. Perish the thought, but the ICA will be obliged to adopt a pro-active approach to monitoring 10,000 auditing firms, rather than simply waiting to react to complaints as they come in. This is a step into the unknown for the Institute, and for its members, who will find themselves visited by squads of compliance officers from Moorgate Place.

The institutes are in danger of losing their distinctiveness

Mr Andrew Sansom, Secretary of the Chartered Association of Certified Accountants (CCAB), echoes a view to be found in the higher echelons of all the professional bodies when he says the UK's professional bodies are capable of getting their collective act together when it really matters. He points to the Dearing Committee as a splendid example of the CCAB recognising a major problem – that of the quality of financial reporting in the UK – and doing something about it.

Nevertheless, the pace of change within the industry means that the six institutes will have to do a great deal more to maintain an authoritative role in the 1990s and beyond. The danger is that as they adapt themselves to changed market conditions, they will lose their distinctiveness and slip into being no more than trade associations for the accountancy business.

David Waller

Nikki Tait and **David Waller** on the move into corporate finance

Merchant banks face rivals

IN MANY ways, the eccountancy profession and corporate finance appear to be natural bed-fellows. Small wonder, then, that this should be one of the broad areas into which many of larger accountancy firme have expanded their operations with a fair degree of alacrity over the past few years.

The reasons are easy to grasp. For a start, corporats finance work is a lucrative vein and, in contrast to certain other elements of the financial services arena, has been a consistent growth area since the early-1980s. On Department of Trade and Industry figures for acquisitions and mergers within the UK alone, British companies are estimated to have spent some £22.1bn in 1988, up from £14.9bn in 1986 and £15.4bn in the following year.

The entire "1992" syndrome gives a fresh impetus to corporate purchasing

While there are some indications that the current economic climate may be stilling a few corporate hands, many suspect that the lull is probably temporary. A fall in acquisition prices, once they are perceived to have bottomed, might tempt new companies in, and the antire "1992" syndrome has given a fresh impetus to corporate purchasing.

Better still, mergers and acquisitions form an area where husiness tends to spawn business: advising on one acquisition can bring in its wake any number of peripheral disposals, management buyouts and corporate restructurings.

Accountancy skills are also clearly an integral part of the service which clients, embarking on acquisitions, disposals, huy-outs, flotations and the like, may need to buy in. Moreover, through their existing audit networks, the large accountancy firms already have both an established client base and, some would argue, a fairly extensive knowledge of who may be in the market as sellers/buyers of assets.

In short, why should corporate finance, particularly the servicing of small to medium-sized companies which want to embark on non-contested deals, remain so heavily dominated by Britain's merchant banks?

Such thinking has lead to the birth of formalised "corporate finance" departments within many of the large accountancy firms during the past couple of years, although it should be noted that structures do vary quite considsrably between the players. In general, these corporate finance teams tend to be based in London, but to then include representation in the main regional centres.

Deloittes, for example, generally viewed by the profession as the most aggressive player in this area, employs around 80 professionals in its London office, and over double that number nationally. Ernst & Young, on the other hand, says it will have over 50 professionals "dedicated" solely to corporate finance work once the merger between Arthur Young and Ernst & Whinney is completed. Of these three-quarters will be based in London and the rest spread mostly between Bristol, Birmingham and Manchester.

That is a good illustration of the pace at which expansion is going ahead. Five, even two, years ago, the numbers of "pure" corporate finance specialists in Arthur Young alone would have been in single figures. Now, as the firms point out, these departments are of size to rival some of the smaller merchant banks.

Work covered by these dedicated teams spans a variety of activities – advice on disposals, acquisitions, flotations, and management buyouts have all featured. The extent to which the workload comes from the existing audit base seems to vary considerably between firms. One of the big five in the UK suggests that the proportion remains over 90 per cent. Another suggests that the audit base account for only perhaps 50 per cent of its corporate finance business.

The extent to which this threatens the merchant banks' traditional stronghold is a moot point. Several firms stress that they are principally interested in the "small deal" – under £50m and often very much less than that – which may not be of vast interest to the top-notch investment banks. Moreover, the accountants make no pretence of offering the potential "all-in" services available from the integrated investment houses – although the extent to which companies want to buy such packages has been debatable to date.

One corporate finance partner quotes an American company and existing client which asked its UK accountants to act when expecting a UK takeover. The bid situation was already highly complex – a hostile offer for the UK company was already on the table – and the US group was promptly directed towards one of the leading UK merchant banks.

Nevertheless, if the trend develops, there seems little doubt that competition among the second- and third-line banking advisers and the accountants must increase. Already, there are signs of accountants acting as principal advisers in some very large management buyouts. Arthur Andersen, for example, was lead adviser to the management team (as opposed to the buyout vehicle) which won the controversial £629m bid for Magnet earlier this year. Grant Thornton – one of the larger medium-sized firms – advised the managers of Kenwood in their £54m buyout from Thorn EMI.

That said, the recent moves by the accountancy firms to step up their presence in this area have not been entirely uncontroversial. Back in 1987, Coopers & Lybrand was obliged to defend itself in front of the Institute of Chartered Accountants in England and Wales disciplinary committee over its work for Pilkington, the glass company, when it fended off a £1.2bn bid from BTR.

Coopers had been asked by Pilkington to examine the BTR record during the bid, and although its document was never published, parts of it became available to both

An obvious conflict between ethical standards and short-term commercial interests

journalists and City institutions. It also found its way to BTR, which protested to the disciplinary body over what it claimed was lack of objectivity in the study – and therefore contrary to the standards required of accountants.

Initially, charges of lack of objectivity were npheld but Coopers successfully appealed – relieving the firm of any admonishment from the regulatory body. At the time, Coopers was quick to point out the significance of the decision: "An adverse verdict would have raised considerable doubts about the adversarial role accountants play in takeovers," it noted.

In corporate finance – as in so many of the attractive areas into which they are diversifying – the firms are faced with an obvious conflict between their short-term commercial interests and the ethical standards expected of chartered accountants. This clash came to the fore this spring when they laid down a set of rules determining that a firm could not act for both sides in a public company merger or acquisition.

This edict provoked a degree of wrath from the big firms, which suddenly found that they could not sell a subsidiary of one public client to another. An unwarranted intrusion of commercial freedom, soms firms argued. Unfashionably – though correctly – others pointed out that the long-term financial well-being of the profession was dependent on it maintaining its unimpeachable reputation for objectivity and independence. If firms started to cut corners, it would ultimately redound to their commercial disadvantage.

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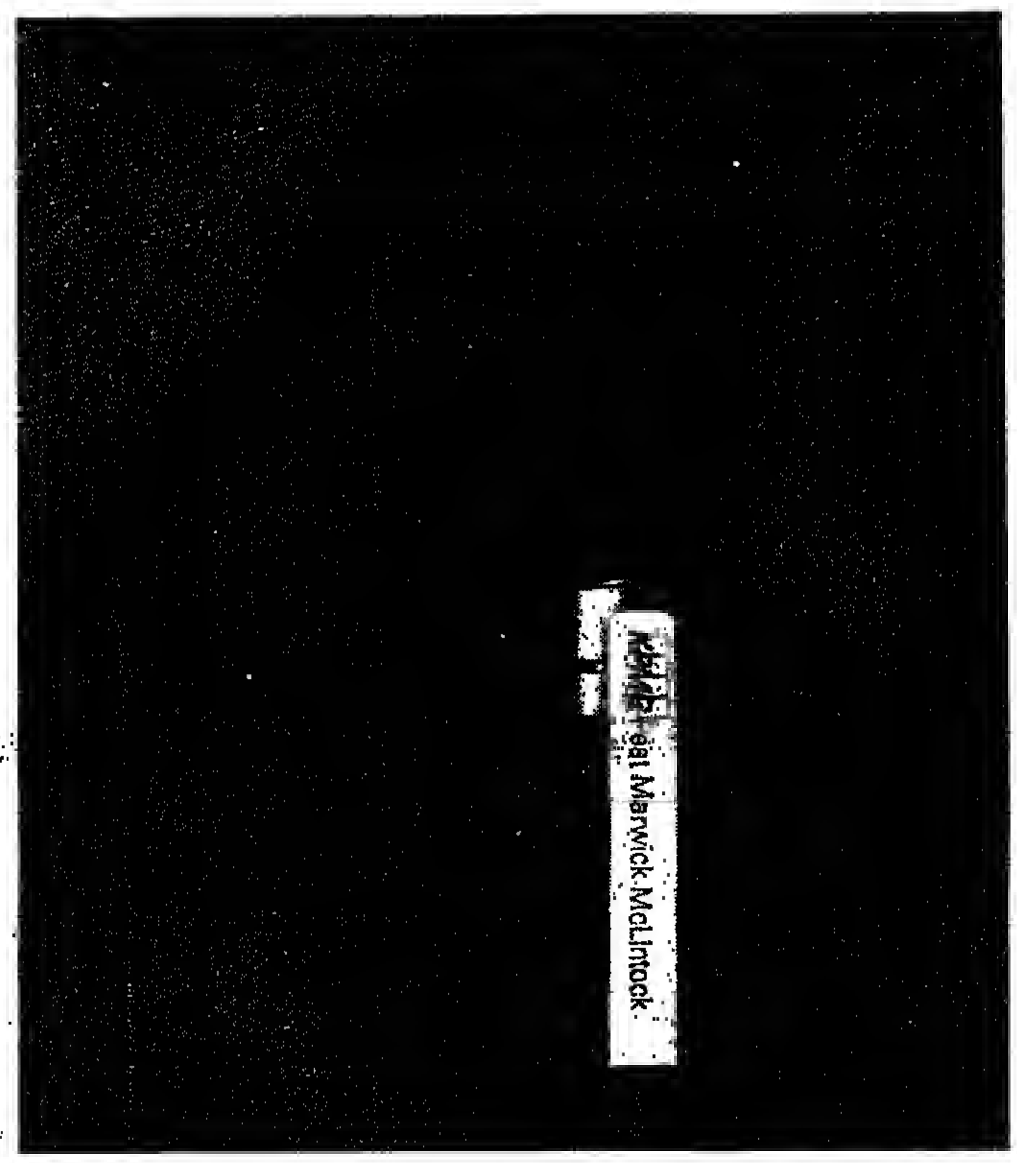

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ACCOUNTANCY 4

Richard Waters *on the growth of multi-disciplinary firms*

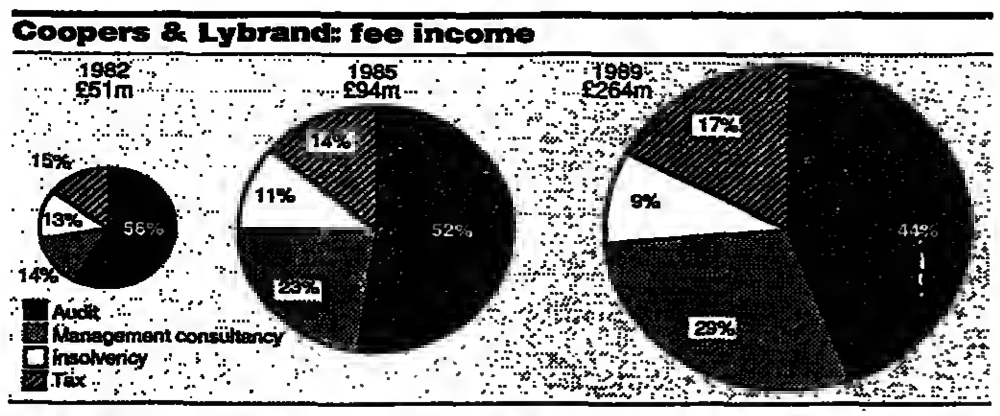
A 'supermarket' check-out

IN 1982, Mr Brandon Gough was elected chairman of Coopers & Lybrand on the strength of a manifesto to his fellow partners in which he expounded his view of how accountancy firms needed to develop over the coming years.

His recipe: diversification. Mr Gough, and others who had a similar vision, have generally been proved spectacularly correct. The accountants' success in muscling in on the growing business advisory market has been the euvy of other profeseional and financial institutions.

At the same time, they have generally avoided the disasters that bave hefallen other ambitious service businesses – such as Saatchi & Saatchi and County NatWest, each of which, in its way, exemplifies the dangers in incautious diversification in "people" businesses.

But what would Mr Gough's manifesto say, were he to stand as prospective chairman now? Nothing as glamorous as before, it seeme. He sums up the issue of the 1990s in one phrase: the organisational challenge.



In ascending order of seriousness are the problem of growth, of diversification and of acting internationally

"That's not very exciting in a businesses strategy sense," he admits. Bnt after its big party during the *1980s*, the accountancy professiou has found that there is plenty of clearing up to be done.

The organisational prohlem comes in three forms. In ascending order of seriousness, these are the problem of growtb, the problem of diversification and the problem of acting internationally.

Take growth first. The chart illustrates the ground Coopers has covered since Mr Gough took over. Coopers has moved further than some others into management consultancy, but in other respects it typifies the large firm in the 1980s.

Perhaps more noticeable than the diversificatiou is the sheer increase in volume of fees earned, a five-fold jump in seven years (although this growth is exaggerated hy salary inflation, with real growth in hours worked lagging hehind somewhat). Even Mr Gough admits to surprise at the outcome.

The accountancy firms have not achieved this without pain. Mr Clive Williams, head of management consultancy at Ernst & Whinney, puts it bluntly: "I don't think the accountancy profession breeds good managers." The biggest mistake, he says, has been to transplant professionals into line management jobs. Size iteelf also poses immense problems. "It is a limiting factor," says Mr Williams. Above a certain size, he says, "quality and standards slip."

The reason, he says, is that over a certain size, it becomes impossible for essentially amateur managers to lead by example. A new level of bureaucracy neede to be imposed, with a new hreed of manager, changing the culture of the organisation – and even then "it is very, very difficult to do.

"Within large firms, man management and cross-selling become huge tasks. The benefits of size and synergy begin to evaporate. Mr Hugh Aldous, managing partner of Robson Rhodes, adds: "Yon become a very complicated man management operation – very bureaucratic."

These observations inevitably cast doubt on the growth-led strategies of the accountancy firms during the 1980s, a strategy capped by the wave of planned or actual mega-mergers earlier this year. The organisational problem of combining different disciplines is even more acute. One obvione problem is how organisations develop to take account of the ambitions of the new non-accountants within them.

Peter Vaines, tax partner of West End accountants Brebner, Allen & Trapp, has just obtained dual professional qualifications by being called to the Bar

Tbe stresses at Artbnr Andersen which nearly led to the firm falling apart last year are the most public example of what happens when these ambitions are not heeded, but rumblings froms other firms (including Coopers) suggest that Andersen has not been alone in this respect.

Introducing different disciplines also demands a new hlend of management skills – something which is already in short supply. Systems building, for instance, is "a radically different hnsiness with completely different project management skills" to tha other things accountancy firms do, according to Mr Williams.

One obvious problem is how organisations develop to take the ambitions of non accountants into account

Yet accountants want to move into the area, because the logic of growth they have pursued for years points them towards this expanding market. They may find themselves withont the skills to make a success of the husiness – unlike Arthur Andersen, which is widely acknowledged to have developed its own successful management formula in this business.

Put together the problems of growth and diversification and the result is what Mr Aldous calls a "hypermarket of mediocrity." And the danger of mediocrity is not just a problem for large firms: "If we're not careful, it applies to all of us, right down to the sole practitioner advising on a life assurance policy or a simply microcomputer."

Despite this, the accountants have achieved a substantial presence in the husiness advisory market. According to Mr Gough: "We are now looking at a market that is significantly different from the market I looked at in 1982." The main difference: "Management consultancy has come of age.

"From being a marginal activity in the 1980s, consultancy has become an essential activity rather than an optional one, and has secured its place in the purchasing patterns of companies. "If we have a recession, consultancy is not going to crash, in my view," says Mr Gough.

The third and biggest organisational problem is how to persuade an international firm to operate internationally.

Tbe fragmentation of Deloitte Haskins & Sells has revealed a ehocking truth about large accountancy firms: they are prey to egos and power battles strong enough to tear snccessful international businesses apart. The Deloitte name has heen one of the strongest international hrands in the industry, and work referred across borders has heen euhetantial. But self-interest based on the henefits of staying together was not enough to overcome the violent reaction from partners in several countries to the plan of Mr Mike Cook, senior partner of Deloitte in the US, to merge the firm with Touche Ross.

Mr Cook had a reputation for tough leadership during his four years at the top. He had needed it: when he took over, Deloitte in the US was struggling and ueeded a firm hand. But the same approach was not the best way to pull off the delicate balancing act of an international merger. And if Mr Cook and his former colleagues could come to hlows in such a fashion, why not others?

International firms have hardly hegun to feel the stresses and strains that are likely to develop in the coming years. Continental European accountants already balk at the Anglo-US driven accounting groups. The Japanese likewise are unlikely to accept a world dominanted by such western-oriented firms. The existing structures will not survive to the end of the next decade without some fundamental shifts of power and direction.

Trevor Humphries

Brandon Gough (left), senior partner of Coopers & Lybrand, with John Bullock, senior partner of Deloitte, Haskins & Sells, announcing in October a merger of the two firms in the UK

Complicating the whole picture is the partnership etrnctnras in wbicb accountancy firms operate. According to Mr Aldous, they are "absolutely barmy." He sees incorporation as inevitable – followed by new stresses as the people who own and manage the business become detached from those who work in it.

"Incorporation is inevitable. And once you are there, there is no reason why you won't end up like Saatchi & Saatchi." The alternative, he says, is "to fragment and build again."

The existing structures will not survive without fundamental shifts of power and direction

With these organisational problems to chew over, the accountants are unlikely to bite off any more in the near future.

And those are just the problems of the accountants' own making: they do not include possible external developments, such as what Brussels may throw at firms in the way of extra regulation to ensure the independence of auditors.

It would take a brave person to predict that the accountancy supermarkets in their present form will survive to the end of the decade. If the 1980s witnessed the rise of the accountant, the 1990s could see other professionals get their revenge. Lawyers,who are just finding their feet, and independent consultancy firms of all shapes and sizes could find that this is their decade.

MEDIUM-SIZED FIRMS

Post-merger opportunities

ALTHOUGH THEY are called medinm-sized accountancy firms, they are not really medium-sized at all: they are very big. True, they are eclipsed by the Big Six, but they are huge in their own right, employing thousands of staff, generating tens of millions of revenne, *and growing very rapidly.*

The pace of growth is just as impressive as for the Big Eight. Indeed, many of the medium-sized firms are as big as the Big Eight firms were a few years ago, if not higger. In 1983, the biggest four firms in the UK generated fees of around £60m; that figure is now equalled or bettered hy four firms from outside the mega-firm category. BDO Binder Hamlyn – now the UK's seventh largest firm – is prood to point out that it audits significantly more listed UK companies than Arthur Andersen.

So sizeable have some of these firms become, and so well-focused from a strategic point of view, that the Big Eight have been knocking on their doors trying to get them to merge. Such overtures were all rejected, hut cynicism about the higger firms' strategic thinking lingers. Mr Hugh Aldous of Robson Rhodes is not alone in complaining that a big firm made a merger proposal one week, was turned down, and then went straight into another set of talks only a few days later.

By and large, the higger medinm-eized firms have resisted the temptation to emulate the Big Six by jumping on the merger bandwagon. Only two significant firms – Spicer & Oppenheim and Stoy Hayward – let themselves get infected by this eummer's merger bug but these strong firms soon recovered their netve and dropped their talks at an early stage. They, like all the other second-tier firms, are left wondering what the post-mega-merger world has in store for them.

The medium-sized firms accuse the higger ones of besmirching the name of the accountancy profession in general through their public display *of* strategic ineptitude. However, from a strictly selfish, business point of view, they welcome the messy realignments at the top end of the profession. Confusion, they hope, hrings opportunities. These are:

"The polarisation in size will be to the medium-sized firms' benefit"

■ A merger causes organisational npheaval. This distracts partners and their staff from their proper joh of serving the client. Although the merged firms will formally make it a priority to ensure that client service does not deteriorate, it will be obvious to finance directors and others who buy the services of accountancy firms, that partners' minds are elsewhere – worrying about the uew profit-sharing arrange*ments or one's new job* within the new organisation.

Hence, argue the medium-sized firms, clients will defect to those organisations which have been uncontaminated by the merger fever.

■ Accountancy firms are viciously political places at the best of times. The aftermath of a merger is not the best of times, and politicking and knife-thrusting will intensify *as staff* from the two firms compete for the top jobs. Hence, the medium-sized firms contend, disaffected staff – at all levels from partner down – will decide to move elsewhere.

Where better to move than to a *smaller firm which is in* fact big enough to offer one a challenging career, but not so vast as to reduce one to total insignificance? Medium-sized firms hope that these considerations will influence graduates in their choice of career as well.

■ The segmentation of the accountancy market has been exacerbated. The biggest UK firm is set to be the Deloitte/Coopers combination. This is likely to have joint revenues of some £500m. The biggest of the medium-sized firms is Binder Hamlyn, which generated fees of £39m last year. The biggest non-Big Six firm will thus be less than a fifth of the size of the biggest firm of all.

"The polarisatiou in size between the very largest firms and the medinm-sized firms will be to the medium-sized firms' benefit," argues Mr Leslie Livens at Moores Rowland. "The distinction between the level of service offered by the medium-sized firms, and that offered hy the largest firms, becomes even more obvious.

"A firm's ability to service clients is not wholly dependent on size – it depends on the ability to work closely with each client, understand his *needs and bring to bear experi*ence in serving other similar clients. Clients for whom personal service is important will move to firms who can demonstrate that their claim of providing personal service at partner level holds true."

Admittedly, this summer's hout of rationalisation has moved at a frenetic pace, but by and large events in tha accountancy world proceed at the pace of geological time. Every year or so, one inch of Britain's coastline drops into the Atlantic, the Accounting Standards Committee issues an exposure draft and an andit changes hands. So, while the *above arguments* are pretty convincing, it is not as though medium-sized companies will switch their audits to a medium-sized firm overnight.

As one partner in such a firm puts it: "Our tactic now must be to drive a wedge into the relationship which hinds a client to auditor. We must take every opportunity to provide non-andit services so the advantage of working with a firm like ours will be driven home to a finance director already upset at the antics of his auditor."

This process will be assisted by the formidable marketing advantage that the medium-sized firms now have. They are distinctively different from mega-big firms, but big enough to cope with the requirements of all but the truly multinational clieut. Most of them have now dropped the idea of trying to serve the bigger listed company, and have focused on serving the needs of the entrepreneurial, if not owner-managed client. They present themselves as husiness advisers, not auditors and consultants.

The outlook is good – on the face of it – but not so good that there is room for complacency. For a start, the medi*um-sized firms* have grown rapidly on the back of the Thatcher boom and they and their clients may be particularly exposed to the economic downturn that so many people now expect. Secondly, management is not as professional as in the Big Six, although many firms in this category are making valiant efforts to introduce corporate-style management. Thirdly, the Big Eight – now Six – should never be underestimated.

David Waller

THE AUDITORS

Not exactly a fraud squad

AUDITORS in the UK have been wreetling with the problem of fraud for five years. Their difficulty: everyone except them appears to think that they should be responsible for detecting and reporting this form of white-collar crime.

These protracted labours are aboot to come to an end. The outcome: nothing mnch will change. It is a response which is likely to wipe further lustre from tbe already tarnished image of auditors.

The auditors' views will be contained in a guideline from the Auditing Practices Committee, due out early next year. This will clarify the existing legal position for auditors, and will not suggest *that* aoditors *should* do any more than they do already.

The profession's arguments have been well rehearsed over the years. But that does not prevent puhlic concern every time a massive frand hits the headlines – most recently, the £215m fraud in the International Signals division of Ferranti.

In such situations, the auditors may have a valid defence. As Mr Matthew Patient of Deloitte Haskins & Sells argues: "If the company's management didn't spot the frand for two years, why should the auditors?" But this does not prevent them looking to the man in the street about as effective as the Keystone Cops.

The acconntants advanca two argumeots in their defence. Firstly, it is simply impossible to detect all frauds without checking all of a company's transactions, introducing an unrealistic level of work into the audit. No-one would be prepared to pay for this.

Secondiy, auditors claim they *do* report frauds wherever necessary, regardless of the popular impression that they are too close to a company's management or hound by confidentiality requirements to blow the whistle. Mr Brian Singleton-Green, of the Institnte of Chartered Accountants in England and Wales, says: "I have yet to hear of a case where an auditor knew about a frand and didn't do anything about it."

Despite this, auditors know what the reaction to the APC's guidance is likely to be. Mr Brian Jenkins, head of audit at Coopers & Lybrand, says: "It could be that when it comes out, it will be seen as offering nothing new. People may well think that that is not enough."

The fact that the Department of Trade and Industry is represented on the APC and has approved the guidance will do little to lessen the political damage.

Developments on other fronts could go some way to meeting public concern. From the *start* of 1991, the UK will adopt a new system of audit regulation, courtesy of the European Community's eighth company law directive. This creates a new etatutory framework for andit regulation, bringing with it a formal rulebook (to be approved hy the Government) and a system of active checks on auditors to *make sure they are doing their* joh properly.

The threat of dragging a reputation through the courts does not prevent big mistakes

This is already drawing a collective groan from auditors. They note with trepidation that the legislation in this area has been drawn np hy the sama team that hrought the world the Financial Services Act.

As often happens when lightly regulated professions see themselves being hemmed in, complaints of impending bureaucracy and the costs of over-regulation are to be heard on all sides.

The auditors claim they are quite capable of keeping their own house in order. As one says: "When I sign an audit, my whole livelihood is at stake. We don't need *outsiders* to come and tell us how to do it."

However, this overlooks the fact that audit failuree *do* occur – and that they often go hand in hand with big frauds. As partners of Arthur Young have found out to their cost over Johnson Matthey Bankers, the threat of having your repntation dragged through the courts is uot enough alone to prevent big mistakes.

A tougher regulatory system for auditors may not stamp out white-collar crime, and it may not prevent auditors making mistakes, but it ehould reduce the risk of audit failure.

As with many such business issues, meanwhile, frand has its silver lining for accountants. While not actually accepting any more responsibility for catching fraudsters, auditors are quite happy to help companies make life more difficult for the crooks – at a price.

According to Mr Jenkins at Ceepers, the most positive contrihution an auditor can make *is* to point out to managers when their control systems are weak. The next step is to help put rickety control systems right – fodder for the accountancy firms' systems experts, who are usually waiting in the wings.

Richard Waters

US CONFLICT OF INTEREST

Auditors seek closer links with clients

THE RUMBLEBEES, a nightclub rock band in New York, could run into serious problems if they turn in a profit.

The band's drummer, Mr Bill Lenhart, a senior manager at BDO Seidman, was granted permission to hire one of the firm's clients, A J La Sala, as lead singer, *only on condition* that the band loses money. The firm is worried that if the band makes a profit they could run foul of conflict of interest rules.

Most accountancy firms have in-house specialists whose sole job is to keep track of the firm's clients and the interests of its joint venture partners, its own partners and their families. They have to ensure that none of these breach the stringent rules on the independence of the auditor laid down by the US Securities & Exchange Commission (SEC). One rule specifically bans auditors from entering into a joint venture partnership with any of its audit clients.

A ban on spouses of partners working for a client in an audit-sensitive function

The rules have drawn a lot of flak from the profession and recently the SEC decided to give them an overhaul. By New Year's Day, Mr John Riley, associate chief accountant of the SEC, says his agency expects to have a concept paper that will revise the *previous definition* of the independence of the auditor.

These rules apparently placed a major stumbling block in the way of a merger discussion between Arthur Andersen and Price Waterhouse that would have created the biggest accountancy firm in the world. *Price Waterhouse, for instance,* audits Compaq, Hewlett Packard, IBM and NCR while Andersen's, the world's largest consultancy firm, routinely subcontracts a lot of work to the same computer companies and is aggressively looking to expand in that field by setting up a number of joint ventures with them.

Last March Andersen, KPMG Peat Marwick and Price Waterhouse petitioned the SEC to lift its ban on auditors working with clients. They argued that the most subcontracts were generally not material to the audit fee.

Tha SEC rules are not binding on auditors who are required only to follow the American Institute of Certified Public Accountants (AICPA) rules which are less stringent. However, the SEC will not accept audits by accountants who do not comply with its rules.

A few of the areas in which the SEC's rules are stricter than the AICPA's include a ban on spouses of partners working for one of the firm's clients in an audit-sensitive function, the preparation of books or forecasts for an audit client, expressing opinions on any of their audit client's activities even abroad and a ban on formar partners working for audit clients unless the partner severs all his or her ties with the firm, including pension benefits.

The SEC also expects firms to declare all loans from clients while the AICPA requires firms only to disclose loans that are material to their turnover.

In February the SEC turned down the request to allow joint ventures based on materiality but they said it would consider other possibilities that the profession might come up with. Three months later the firms filed a revised proposal that placed five limiting factors on joint venture work between auditors and their clients.

In September the SEC agreed to review the entire independence qnestion within six months. According to Mr Riley the review consists of three parts; one that deals exclnsively with the firms' proposal on joint ventures, another that will look at the differences between the AICPA and the SEC's rules and a final part that will try to bring the SEC rules np to par with international standards.

In pursuit of the final part, the SEC is looking at an exposure draft that the International Federation of Accountants (IFAC) put out in June, entitled "Code of Professional Ethics for the Accountancy Profession." The SEC has also solicited independence of the auditor rules from seven other countries.

By January Mr Riley expects to have some ideas for firms to comment on and his office may present some of these to a meeting of the accounting and auditing working party of the International Organisation of Securities Commissions in Paris.

In the meantime, the accountancy profession is not waiting for the SEC decision but is working its way round it. One proposal that firms are considering is asking contractors to issue separate contracts for themselves and their audit clients.

And at Andersen's accountants working with Andersen Consulting, Arthur Andersen's consulting arm, surrendered their auditing licences on September 30 in order to complete the division between the consulting and accounting and tax strategic business units of the firm.

The idea was to present two different firms, one a management consultancy and the other an accountancy firm, with strict rules preventing overlap in the hope that eventually the SEC would allow Andersen Consulting to conduct joint ventures with clients *of the audit division, if it was* convinced that the two were being run independently.

Instead of waiting for the SEC decision, the profession is working its way round it

If the SEC does accept the division of Andersen's, it could pave the way for the consultancy to raise money in capital markets, bringing it into direct competition with its rivals like the computer companies and the investment banks.

Outsiders display a mixed reaction to the issue of the independence of the auditors. Some believe strongly that accountants should keep their place and not try to diversify too much. One accounting analyst at a New York securities firm complained that the firms should stop trying to "get the frosting on the cake."

Others say that the SEC's argument *is absurd because,* taken to its logical conclusion, accepting an audit fee from a client could compromise tha firm's independence if the client has the option to fire the firm, which in fact it does.

Yet others are strongly for accountants working with their audit clients. Mr John Burton, a former chief accountant at the SEC, says that auditors who conduct joint ventures with *their clients would* be better able to understand and therefore advise and audit their clients. "It seems to me, the more information the auditor has, the better."

Pratap Chattarjee

Pratap Chattarjee looks at the far-reaching implications

US tug-of-war on standards

LATER THIS month, 10 state and local government associations that provide the principal funding for the US Government *Accounting Standards* Board (Gasb) will meet in Washington DC to discuss the creation of an alternative to Gasb.

The rebel govarnment groups are protesting at a late October decision by Gasb's oversight body, the Financial *Accounting Foundation (FAF),* to force government hospitals, schools and utilities to follow the more stringent private sector rules of the Financial Accounting Standards Board (Fasb) in order to enhance comparability with similar private sector entities.

At the time Mr Larry Weinbach, chief executive officer of Arthur Andersen, said: "I hope the FAF stands tall. Creating new standard setters is not the solution to one disagreement. The profession should set one uniform set of rules and not cater to special interest groups."

About three weeks ago the FAF backed down and decided to work toward comparability within the Gasb rules. So, at the meeting the groups are expected to shelve their plans, at least for the time being, in view of the FAF's change of heart.

If the 10 groups were to go ahead with their plans, the implications for the profession could be far-reaching. Presumably, the new standard-setting body would allow the government associations to follow the present, less stringent, government accounting standards. Then they might have relaxed the rules a little further.

Catering to special interest groups will lead to the downfall of the profession, says Mr Weinbach. *Hs points to one of* the biggest crises that accountants have had to face in years, being forced to take the blame for the failures of the savings and loan (S&L) industry. The Andersen chief says that part of the problem was special, less stringent reporting rules for the industry.

And the past year, like many others, has been marked by a tug-of-war between the profession, its regulators and special interest groups and the consequences of their respective successes.

A month ago, Fasb concluded hearings on a new standard on accounting for post-retirement benefits other than pensions. The standard would have forced companies to subtract the cost of funding this liability from earnings.

Close on 470 letters of comment poured in. They conjured up an image of the damage it would do to companies and begged for alternatives. According to Mr Dennis Beresford, chairman of Fasb, more than 400 of the letters came from companies, perhaps 30 to 40 came from accountancy firms or associations and fewer than 10 cams from users of financial statements.

Earlier this year, companies complained that the standard setters were exceeding their role, issuing standards left, *right and centre, with little* consideration for those that had to implement the statements. The FAF had a committee look into these complaints and come up with suggestions to resolve it.

The committee's answer was to increase the number of steps in the standard-setting process and allow for more outside input. As a result, there was far less issued this year by way of new standards and the final word on two of the most controversial, accounting for income taxes and post-retirement benefits other than pensions, has yet to be said. The only other major standards were one that forced compa*nies to consolidate finance sub*sidiaries on to their main balance sheet and one on financial instruments that should be complete by the end of this year.

An organisation that brings federal government to account by setting standards for it

The American Institute of Certified Public Accountants (AICPA) spent more time in the standard-setting limelight, issuing nine statements of auditing standards that eliminated the concept of qualification from the audit report and, *following tha S&L uproar,* resolved to update its industry guides.

Mr Bob May, then chairman of the AICPA, had to testify before Congress to explain why the auditors had missed reporting problems that were going to cost the Government well over $100bn to straighten out.

He was not the only accountant to appear. Last month Mr William Gladstone, chairman of Arthur Young, had to face charges in Congress from Mr Richard Breeden, the new Securities & Exchange Commission chairman, that the firm had significantly hindered SEC investigations into the collapse of a former S&L client.

And in the most recent analysis of S&L failures, only two of the top 20 firms escaped charges of being asleep at the wheel. *Many* of the firms are now being sued for hundreds of millions of dollars for either failing to detect the problems and even for conniving at some of the fraud.

But in 1989 the S&L crisis was overshadowed by one other event in the history of *the accountancy profession* – merger mania. The accountancy firms appear well on the way to reducing tha oligopoly of the largest firms to a monopoly.

The first-tier accountancy firms now audit virtually every single Fortune 500 company. With little chance of picking np very many small bnsinesses, their revenue growth is dwindling. In order to forge ahead, four of the Big Eight firms decided to merge, reducing the number of first-tier firms to six.

Arthur Young and Ernst & Whinney combined to form Ernst & Young while Deloitte, Haskins & Sells combined with Touche Ross to form Deloitte Ross Tohmatsu. It would probably have been the Big Five apparently, had it not been for SEC rules, among other factors, that would have forced Arthur Andersen and Price Waterhouse to give up some of their more lucrative joint venture work.

First-tier firm partners are reluctant to attribnte the mergers to the egoistical drive to be first or the desire to increase their profits. They repeat their new buzz word – globalisation. One Big Six managing partner explained that it was the marketplace that was *becoming more global and* forcing accountants to expand to answer its demands.

But it is a fact that US firms are worried about their position in the markets. Most of them have rewrittsn their regional and international strategies in the past few years. For instance Andersen lost a nnmber of its top consultants, because they were not happy with how they were being paid. *As a result,* Andersen had to reallocate the way it divided it profits and its consultants now expect to take home 30 per cent more than they would have last year.

Looking towards 1990, Mr Beresford says Fasb expects to complete its work on pensions and income taxes and is intending to issue statements on consolidation that will define how companies are controlled in the hope of getting rid of off-balance sheet subsidiaries, the impairment of long-term assets and interest methods.

And Mr Charles Kaiser, the new chairman of the AICPA, is pressing for one of his pet agendas, the creation of an organisation that will bring federal government to account by setting standards for it and creating a chief financial officer to make sure that politicians do not find ways of "cooking the books" to get around the Gramm-Rudman-Hollings budget deficit reduction plan.

Why manufacturers may be at a disadvantage

The case for activity costing

MANAGEMENT accountancy has acquired a glamour all of its own in recent years. The words no longer conjure up images of green-visored costs and works clerks slaving away over the cash book or purchase ledger.

Instead, they are associated with the Harvard Business School, advanced manufacturing techniques and computer-aided design. A previously dowdy area now has e jazzy language all of its own, involving new concepts such as activity costing and cost-drivers.

The Harvard connection comes in the form of Robert Kaplan, a professor at the business school who over the last few years has been waging a battle to ehow complacent industrialists that their accounting systems are dangerously anachronistic.

In a series of articles – and e readeble book* – Kaplan argued that US manufacturers were at a severe disadvantage to their Japanese competitors because of their approach to costing and pricing.

He pointed out that a factory in the late 1980s was a very different place from its equivalent 10 years ago. Nowadays, he said, there were few overalled workers standing around feeding hoppers or bolting widgets onto mechines as they pass by on an assembly line.

Instead, factories are largely eutomated. Workers have been pared back, computers have taken the place of human know-how and – in the ideal of the factory of the future – the lights will have been switched off, too. And with the arrival of Just-In-Time delivery systems, no longer does a company hold mountains of inventory and virtually all the space in a factory is dedicated to productive machines.

This picture of the world-class manufacturing unit may not coincide with reality in many cases. But Kaplan was aware that more big companies – particularly those competing in world markets – were moving in this direction.

He observed that the cost-systems used by managers within this new environment were based on obsolete assumptions. Specifically, the sharing out of overheads between the products – in order to determine the so-called standard cost – was determined with reference to the number of man-hours that went into making that product.

Given that in the new environment labour was a relatively unimportant constituent of the total cost, that was a daft basis on which to apportion total costs, Kaplan argued. In his book (written in collaboration with another costing guru, H Thomas Johnson) he cited the example of a factory where direct labour accounted for 4 per cent of the total cost bill. And yet 65 per cent of the plant's cost system was focused on direct labour.

According to Kaplen, accounting obsolescence was leading to a dangerous misallocation of resources. Poor-quality figures were being relied upon to make decisions of strategic importance – on what mix of products to manufacture, what price to sell them at, and what products to drop altogether and source from a third party.

For a company, this could mean a loss of competitiveness and a slide into losses. Worse, whole industries and national economies could suffer as they faced intensifying competition from south-east Asia. Kaplan's solution was something called activity costing.

At this point, it would be easy to slip into jargon. But although Kaplan's ideas may seem complex, they are shot through with one simple principle: that managers should break down the divide between fixed and variable costs and look at the total cost to the business of making a given product.

The process is accelerated by identifying so-called cost-drivers: the task here is to spot what factors really infinence the cost of e product. If product A requires a relationship with 10 outside suppliers, and product B just two, then product A should bear a bigger share of the purchasing department's costs.

Another plank in the Kaplan philosophy was that managers should make more use of non-financial criteria in making their resource allocation decisions. One should not look simply at short-term financial criteria, but at factors such as the number of unexpected machine failures.

Kaplan's arguments are very plansible and have been embraced enthusiastically by the big consultancy firms. Possessed by an evangelical zeal, they are now going abont preaching the virtues of activity costing, arguing that UK companies which take it on board will give themselves an advantage over their rivals.

If obsolescent accounting is dangerons, it is probably equally dangerous to rely overmuch on all the new techniques. Those UK companies which have proved most receptive to the new ideas tend to use activity costing in conjunction with old-fashioned standard costing.

Furthermore, a recent report sponsored by the Chartered Institute of Management Accountants# points out that the Japanese are backward in their cost-accounting. Even to their most modern factories, they base their overhead allocations on labour hours – probably because they believe this ties an individual worker much more closely to his or her own output.

Yet it is clear from this document that the Japanese do not base important decisions solely on these statistics: they form only part of a market-driven management equation. Unlike manufacturers in the US or UK, they price their products with reference to what the market will bear, not by adding on e desired profit margin to the cost bill.

Companies at the forefront of activity costing tend to be sceptical about its benefits – as they would of any other business panacea. But they agree that a process which encourages managers to ask fundamental questions about the business – and the forces driving the costs of being in business – is worthwhile.

David Waller

**Relevance Lost: The Rise and Fall of Management Accounting. H Thomas Johnson and Robert Kaplan, Harvard Business School Press (1987).*
#Management Accounting, Evolution not Revolution. M. Bromwich and A. Bhimani of the London School of Economics. Available from CIMA, 63 Portland Place, London W1. £9.95 (plus 75p postage for UK, £1.50 overseas).

David Waller expects tougher UK standards

Deadline for Dearing plan

IT IS scarcely credible, but 1989 looks set to have been the Accounting Standards Committee's last full year in existence. For next summer, this august body – its origins go back 20 years to the aftermath of General Electric Company's takeover of Associated Electrical Industries – will pass away to be replaced by the Financial Reporting Council (FRC).

The profession first suggested the idea of a review of the standards-setting regime in November 1987: Sir Ron Dearing – the former chairman of the Post Office who chaired the committee of inquiry – came up with his proposals a year later; after long – and as yet unresolved – debate over how to pay for the new bodies – Sir Ron himself was appointed to head up the FRC in October this year.

He has given himself until the beginning of 1990 to resolve the funding issue – a tough task given the recalcitrance of all those involved in the first bout of negotiations early this year. Sir Ron first suggested that the FRC might cost £1.5m; it is now clear that £4m might be a more realistic figure, given staffing levels and the costs of monitoring compliance with the new standards.

The need for the FRC – for the tougher standards regime that it envisages – has never been more clear. Important accounting problems – on brands, on goodwill, on mergers and acquisitions more generally – are still unresolved. And as the UK economy lurches into a bad patch, the lax standards of the past are becoming more evident by the day. An increasing number of companies, formerly borne along by e potent combination of lax accounting and a bull market in equities, find that they are unable to generate the expected increase in profits this year.

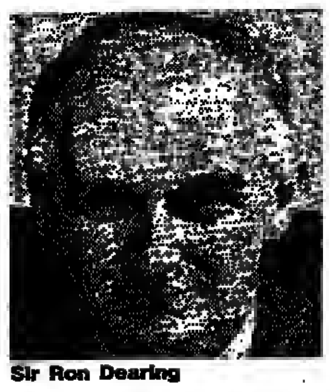
This is gloomy news for the UK's capital markets, the reputation of which depends to a large extent on the reliability of the financial information produced by listed companies. And it encourages the legislative tendencies of the bureaucrats in Brussels, who are thinking of introducing e third tier of European standards in any case.

In its time, the ASC was a model of the sort of Anglo-Saxon, non-statutory organisation that is becoming increasingly unfashionable in the world of the Financial Services Act and Directives from the European Commission. Its pronouncements – while open to much criticism on occasions – have massively enhanced the quality of financial reporting in the UK. To its credit are the rules: requiring the disclosure of accounting policies; on equity accounting, funds statements and earnings per share.

As Mr Michael Renshall – the current and presumably last chairman of the ASC puts it – "all this is now taken for granted but they were not generally accepted before 1970."

But the ASC's inability to introduce an enforceable standard on inflation – after more than a decade of wrestling with the subject – was only the most public manifestation of the ASC's fundamental weakness. The fact that it was staffed largely by nominees of the UK's six professional bodies and that no recommendations could be turned into standards without the unanimous agreement of these bodies, meant that it was an unresponsive, slow-moving creature.

Moreover, it never had the time to develop a coherent philosophy on the purpose of financial statements. It had no



Sir Ron Dearing

powers to enforce compliance with its standards. It failed to push out strong, no-nonsense edicts on some of the more contentious aspects of British accounting. And some of the standards it did issue were theoretically unsound and open to abuse by finance directors.

Over the last year, the ASC has been deliberating over a bundle of related issues, ranging from the treatment of intangible assets snch as brands to goodwill and merger and acquisition accounting. The tenor of ASC's thought on these matters has leaked out: it wants to force companies to put goodwill onto the balance sheet. Having done that, it reasons, there will be little need for companies to capitalise their brands – hence this practice will be discouraged. And the conditions under which merger accounting can be applied will be tightened up.

Coupled with the rules on the disclosure of goodwill – issued in May this year – this could represent a strong package. Bnt the proposals will arouse the wrath of finance directors, zealous of the flexibility afforded to them by current accounting rules in these areas, and more so of the supposed commercial advantage given to them over US and other competitors in that they can make acquisitions without giving any thought to the goodwill consequences.

It is doubtful that the ASC would be able to force these measures through. As it is, they will be passed on to the Financial Reporting Council. If this new body deems that the ASC's legacy is in the interests of financial reporting in the UK in general – rather than simply against some companies' interests – it will have the clont to do something about it.

If all goes according to plan, the FRC will be staffed by dignitaries from the City and industry, as well as from the accountancy profession. Ideally, the Accounting Standards Board will have attracted some of the brightest accounting brains in the UK. And the Review Panel will investigate departures from standards, backed up with powers to apply to the courts to require listed companies to revise their accounts if they are not true and fair.

It is in the longer-term interest of the UK economy, of businesses and the profession itself, to ensure that the Dearing proposals are put into effect. One incentive is to consider developments in Brussels. A meeting of all EC member states is taking place next month to consider what ought to be done about accounting standards in Europe. Practitioners fear the "third tier" option – ie European standards introduced in addition to international and national ones. Under the circumstances, the UK can only benefit from having a strong domestic standards base, such as is envisaged by the Dearing plan.

FINANCE

A checklist for managers

MR DEREK SACH of 3i is well placed to comment on financial management within the accountancy profession, having presided over the lending of approximately £100m to some 200 firms, most of them accountancy practices. Frequently, he observes, there is simply no financial management: the firms' finances are in a lamentable state.

There is e deeper problem here, one of management within a profession. Until recently, a typical firm would have evolved into a federal structure, run without the disciplines and central command structures of an industrial company. A group of senior partners – distinguished by their technical skills or longevity of service – would formally run the business.

The other partners would respect what the senior cadre told them to do – but any tendency to bow to the dictates of head office would be tempered by the thought that partnership meant unlimited liability. If one's entire personal wealth was at stake, one felt inclined to consider one's portfolio of clients as a personal fiefdom.

Any attempt to impose financial controls and disciplines would be resented. Indeed, no attempt would be made: the partners would get on with running the business in the time-honoured way of serving the client. There would be no-one in the centre willing to put his foot down, impose e firm-wide strategy and performance targets.

Some of the more sophisticated Big Eight firms addressed these problems years ago. These firms are run as if they were corporate entities, with formal command structures and a financial reporting framework. The medium-sized firms have increasingly followed suit, perhaps because in the last few years they have grown to be as big as the Big Eight were in the middle of the decade.

Is your firm – either the one you work for or the one which works for you – well-managed? Here is a checklist of points which have been tackled by the professional accountant wanting to be e professional manager to boot.

□ Command structure. Many firms appear to have e host of important people at the top, bearing grandiose titles – head of audit, head of the London office, senior partner, national managing partner, chairman. It is often difficult to know quite who runs a firm – where the real authority lies.

□ Profits vs size. The well-managed firm ought to be more preoccupied with profitability than size for its own sake. This is the crucial test of whether management authority can be exercised. If it can, poor quality turnover and poor quality partners will be disposed of and unprofitable regional offices shut down. The main focus of the business ought to be on productivity – fees per employee at every level in the firm.

□ Financial control. Inextricably linked to the previous point. The firm should pay careful attention to cash flow and the time which clients take to settle their bills.

"The typical balance sheet for an accountancy firm is highly liquid," observes Mr Michael Sheasby, finance partner at Ernst & Young. "The main assets are work-in-progress and debtors. An upset in cash flow can have much more of an impact on the balance sheet than a similar disruption in an industrial company."

A good firm will thus be run as if it is a well-managed company. Formal incorporation – as allowed by this year's Companies Act – does not really matter: one can maintain the partnership structure, and the professional ethic that goes with such an arrangement, without compromising on management standards.

One of the ways in which firms differ from their counterparts in industry – even service industry – is in how they are financed. An element of this is constituted by equity in the form of partners' capital accounts: but as a proportion of the total balance sheet this is very small. Debt, mainly short-term, overwhelms equity.

A driving force behind this summer's bout of mega-mergers was the need for firms to pool resources to finance long-term investment in training and technology. Under the Companies Act, one could turn to outside shareholders for equity to pay for such projects, but few firms are likely to go down this route in the foreseeable future. But finance partners are now thinking of ways to eliminate the mismatch between short-term finance and long-term investment.

Arthur Andersen has tapped the US commercial paper markets. "Just to show that it could be done", observes Mr Roy Chapman, UK managing partner. He thinks it likely that his firm will make more use of project finance in future – especially when buying buildings. Firms have used leasing to finance investment in technology for some time.

One problem which none of the firms has yet tackled is that of goodwill, faintly ironic given the ingenuity which firms lavish on their clients in this department. The firms are happy to dream up ways of bolstering public company balance sheets – but so far they have not dared deal with the problem on their own account.

Partners are currently remunerated very generously in terms of income – but there is no mechanism for them to realise the capital value of their stake in the firm when they leave the partnership. Given that the firms have been growing very rapidly over recent years, that capital appreciation could be stupendous.

Firms like to skirt round the problem by saying that the goodwill does not belong to the partners individually, but to the partnership in general, to be passed down from generation to generation. Fine as far as it goes – but it means that the bright entrepreneurial accountants which the firms need to recruit will not have the opportunity to accumulate capital so long as they work for a big firm. Given the risks involved in being a partner, that looks like a raw deal.

David Waller

David Waller looks at opportunities in Europe

Single market: battleground of the future has potential

EUROPE OFFERS both problems and opportunities to the accountancy industry. The problems arise because of different languages, myriad different business cultures and different professional and accounting standards – and the difficulties of managing cross-border businesses.

The opportunities arise because of the money to be made out of advising 1992-minded companies how to get round similar obstacles in their own business sectors. Moreover, the markets for the sort of services which accountancy firms are accustomed to sell elsewhere in the globe are relatively under-exploited on the Continent.

Thus the European Community is *the battleground of the future*. The markets have both enormous growth potential. Even at their present size, they are under-serviced and immature. Hence the big firms are scrabbling to form new alliances with local firms.

Just how immature the most basic of the markets is can be illustrated by recent statistics from the Centre for International Financial Analysis and Research in the US. In North America, the figures show, the international firms audit 87 per cent of the biggest companies – whereas the figure for Europe – including the UK – is only 67 per cent.

The so-called Small Eight audit have nearly 10 per cent of the EC market – more than the 5 per cent audited by the same firms in the US – but *that still leaves 22 per cent of Europe's biggest 3,672 companies audited by local firms. It is not surprising that the local firms are being wooed intensively by the big firms.*

They do not simply want the audit business, of course. A deal such as that whereby Price Waterhouse has acquired a "significant minority" stake in Revisuisse, Switzerland's third largest firm – with a view to taking this to a majority holding in time – plugs the international firm into the local business network.

One picks up a few audits, but one also has the opportunity to market one's whole range of services to clients which – perhaps only because of the rhetoric of 1992 – are becoming more internationally-minded. The big firm can help with the internationalisation process, in identifying and arranging acquisitions.

More importantly, the firm can introduce its clients to what is best practice internationally in, say, financial controls or costing. This introduction will take the form of consultancy advice, the market for which is deemed to be at its very earliest stage in many European countries. And consultancy can go beyond straightforward financial matters to the *panoply of services provided* by the Big Six/Eight.

The other side of the coin is that by establishing a strong network the accountancy firm can help clients from other parts of Europe – or indeed from outside Europe altogether – with its business plans in each European country. In short, the accountancy firms ought to benefit from anticipating the needs of their clients as they begin to treat Europe as a single market.

Snapping up a non-affiliated firm is one way of expanding; the other is to exploit the post-merger fall-out by wresting a local firm away from one international network to another. This year has seen a host of such switches of affiliation, ranging from the former Deloitte firms (in Belgium and the Netherlands, for example) which have jumped into bed with Coopers & Lybrand, to the French Befec & Associés *defection from BDO Binder* Hamlyn to Price Waterhouse.

The game of musical chairs illustrates one huge problem *that the firms* are encountering in establishing strong European practices.

Some of the firms – notably Peat Marwick Mitchell, which triumphed over its competitors two years ago when it linked up with KMG – make a virtue out of giving its components as much autonomy as possible. Others argue that the goal of common standards and common strategy is not possible without tighter control from the centre.

Into the latter camp falls PW, which last year established a single, profit-sharing partnership for Europe. The extent to which the partners from the various national firms actually subsidise one another is a trade secret, but the new mechanism will undoubtedly concentrate partners' minds on the desired objective of having a single European firm for the single European market.

The extent to which the partners from the various national firms actually subsidise one another is a trade secret

Arthur Andersen is the only international firm to have a single partnership for its entire global practice. It has been in Europe since the 1950s and has established market leadership in both Italy and Spain, both countries with enormous economic potential. It grew not so much via strategic mergers with local firms but by selling computer consultancy. On the back of this, it would win business in other areas.

It is ironic that the firms, which have so much to gain from advising companies how to get round local legislation, *may themselves fall victim to* legislation. In Italy, for example, the firms have had to spin off their tax practices from the audit business, and have to observe strict rules segmenting consultancy from audit. Moreover, they have to relinquish the job as auditor to quoted companies every nine years.

Much to the horror of the international firms, Spain has recently imposed a similar set of laws.

If such legislation gives a Europe-minded partner a feeling of extreme disquiet, he (or she) need only turn to the Eastern Bloc to revise his (or her) spirits. The potential is enormous, and Price Waterhouse and Ernst & Young are firms at the forefront of developments here. As an indication of what is to come, PW was heavily involved in preparing Tungsram, the Hungarian lighting company, for its link-up with General Electric of the US.

Training standards

THE TRAINING Agency (formerly the Training Commission) has asked the Association of Accounting Technicians to carry out a project to draft standards of competence for accounting staff.

The agency has been charged by the Government to establish employment-led standards of competence for all occupational areas by 1991. A working party was formed in late 1987 in response to concern that there was no single body able to lay down occupational standards for accounting staff. It includes representatives of all the principal interests in the profession.

The project will be the first major look at the work of accounting staff at technician level since a survey sponsored by the Manpower Services Commission in 1979. The draft standards will be circulated widely in the hope that they will receive approval across the profession as a whole.

Transcend Technology has been contracted to test the draft standards for accuracy, reliability and validity with employees, employers and training providers both in public and private sector organisations.

Profile: ERNST & YOUNG

The bigger, the better

IT IS often forgotten during talk of this year's mega-merger season that only one pair of firms this year has actually managed to consummate a proper alliance. The two firms involved are, of course, Ernst & Whinney and Arthur Young, which announced their intention to come together at the beginning of May to form what is now called Ernst & Young.

The new entity is justifiably proud of having secured a match before all its competitors, and of having stitched itself together without the global fragmentation that one has subsequently seen with the Deloitte/Touche/Coopers affair. *Morale seems to be high and in* the words of the senior partner of another big firm, "Ernst & Young is definitely a firm which shows all the signs of getting its act together."

On the face of it, there has been very little fall-out, either in terms of clients, member firms or staff.

There was one very public client defection when PA Consulting, formerly audited by Ernst & Whinney, dropped the new firm in favour of Grant Thornton. Although PA blamed the switch on the con*flicts of interest engendered by* the merger, E&Y says the real reason for the loss was that PA is a rival player in the fierce *consultancy markets where the* merged firm is hoping to expand aggressively.

As a testament to its ability to hang on to clients, E&Y points to the fact that arch-rivals Pepsi-Cola and Coca-Cola – formerly audited by Arthur Young and Ernst & Whinney respectively – do not object to being audited by the same firm.

On the international front, the biggest defection was that that of Canada's largest firm, Ernst & Whinney Thorne, to KPMG in August. E&Y maintains that some realignment was inevitable in Canada where the merged firm would have had a 45 per cent market share, and that it is quite happy to have held onto Clarkson Gordon, the AY firm. Otherwise, the original alliances are substantially intact and Mr Elwyn Eilledge, joint chairman of the international firm and senior partner of the UK firm, says that 97 per cent of the staff working for the two independent firms have now come together.

Elwyn Eilledge, joint chairman and senior UK partner

Any merger is upsetting and E&Y partners acknowledge that there is some anxiety among two levels of employee: those reasonably new recruits who feel loyal to their auditing group rather than the firm and may feel disquiet at the prospect of merging offices, and those senior managers who might feel that their partnership prospects have suddenly receded below the horizon.

The number of UK partners who have actually left is limited to around a dozen. Although this is not large in relation to the total partnership of 440 (as at the end of March), it is noticeable that those who went were predominantly – if not exclusively – former partners in Arthur Young rather than Ernst & Whinney. Included in their number were one or two senior AY people, including Mr John Howells, the former managing partner of AY's London office, and Mr Roger Butler, a senior tax partner.

The executive management of the new firm is extremely keen to play down any suggestion that the merger was more of an Ernst takeover than a proper merger. Yet it is undeniable that in the UK and elsewhere around the globe, Ernst was the bigger, more profitable firm, with the better portfolio of audit clients. Moreover, AY's morale was dented by the prolonged trauma of the Johnson Matthey Bankers affair. After all, it was only in February this year that AY's partners (or their insurers) made the second of two £25m damages payments over their role as auditors to JMB.

Mr Eilledge says it will take at least two years before partners' earnings all come from the same pot. Over that time it is hoped that profit discrepancies will be ironed out: in the meantime, profit-sharing is to be calculated as if the partners still belonged to two separate firms.

The new firm has suffered some bad publicity, particularly in the US where partners have come under criticism from the Securities and Exchange Commission for AY's role as auditor to Lincoln Savings and Loan, which collapsed at cost of \$2bn to US taxpayers. Moreover, in the UK, E&Y made the unusual admission that the Budgen supermarket group's accounts – audited by AY – were wrong for 1986 and 1987 in that they failed to disclose a reorganisation provision. And AY was the auditor to Cray Electronics, a UK company which last month was obliged to restate its 1988-89 pre-tax profits from £17.03m to £5.4m.

These are examples of past problems coming to light now, and should not make rival firms complacent. For a start, the new firm has a formidable audit client base – it audits 23 per cent of the world's leading banks and 27 per cent of insurance companies, plus the bulk of the oil majors. AY brings its highly regarded tax practice to the party, plus a much stronger presence in continental Europe than E&W.

Together, the two firms stand a much better chance of establishing a strong consultancy arm. This was an area where the independent firms were both weak, eclipsed by all the other Big Eight other than Deloitte and Touche Ross. Mr Clive Williams, poached from Coopers to run the enlarged practice, says that E&Y is now finding itself invited to pitch for projects for which previously neither E&W or AY would have been considered. The firm claims to have won some big contracts already but is reluctant to go into details.

David Waller

UK CLIENTS IN TOP 1,000 COMPANIES

	Number audited	Ranking Pre-merger	Ranking Post-merger
Peat Marwick McLintock	188	1	1
Price Waterhouse	147	2	3
Arthur Andersen	89	6	5
Ernst & Whinney	70	5	-
Arthur Young	58	8	-
Ernst & Young	128	-	4
Deloitte Haskins & Sells	89	3	-
Coopers & Lybrand	80	4	-
Coopers & Deloitte	169	-	2
Touche Ross	49	7	6
Others	250	-	-

Source: KPMG

Profile: SPICER AND OPPENHEIM

Focus on the four Fs

AT THE risk of laying himself open to all sorts of jokes, Mr Clive Bastin, the managing partner of Spicer and Oppenheim, maintains that the emphasis of the firm is on the four Fs – financial performance, flair, focus and fun.

In terms of financial performance the firm has little to complain of. In the past five years its fee income has risen strongly, up from a UK total of £38m in 1985 to £83.2m in 1988. The years in between have seen an uninterrupted expansion of revenues.

Yet the period is unlikely to be looked back on by Spicer and Oppenheim partners as consisting of nothing but fun, fun, fun. Although the firm has managed to keep growing, it has only been able to do so by negotiating some dangerous waters.

Spicer and Oppenheim prospered by being known as the City accountants without e serious rival. The blue-blooded firms of jobbers or stockbrokers that made up the old City were likely to have the firm as its auditors and tax advisers. From such e privileged position, the Big Bang, and the rapid expansion of City players that came with it, was a once-in-a-lifetime opportunity to increase the size of the firm significantly.

Initially it did expand, carving out slabs of auditing and consulting work from the explosion. Yet with the crash of 1987, and the subsequent slimming of City firms, botb in size and in number, many observers saw Spicer and Oppenheim as dangerously dependent on one sector. A slump in its fee income was widely expected as a resnlt of tbat overdependence.

Clive Bastin: "Niche marketing works"

A surprising defection of a team of information technology consultants

However, the slump did not arrive. "Financial services work has kept growing despite the loss of audit work," says Mr Bastin. "We have managed to pick up a lot more non-compliance work. And there is a buge amount of work as new stockbrokers are being set up."

Yet other troublesome problems have nagged at the firm. In December, there was a surprising defection of staff when a teem of information technology consultants moved from Spicer and Oppenheim to Ernst and Whinney. The team had been built np by Mr John Rankin; he moved first, and was followed by tbe rest of his staff. Of little significance in itself, the incident raised suspicions that Spicer and Oppenheim was having problems retaining the small units of expert specialists upon whom much of the firm's lucrative consulting income depends.

Mr Bastin, however, argues that the episode says little about the future of the firm. "We were re-organising certain aspects of the practice. There was a disagreement," he says. More defections are unlikely, he maintains.

Another stain on the year has been the Barlow Clowes affair. Along with Touche Ross, Spicer and Oppenheim is being investigated by the accountancy profession's Joint Disciplinary Scheme over its role as anditors to the failed investment firm from 1984 to 1987. The ontcome of the inquiry will crucially influence whether any legal action is taken against the firm for its part in monitoring the financial affairs of Barlow Clowes. But Mr Bastin says the investigation has so far had no effect on morale within the firm or on its image among its clients; at the same time he is sure that the inquiry will vindicate the firm.

Yet Spicer and Oppenheim is keen to see perception of the firm adjusted. Although it came relatively unscathed through the collapse of the Big Bang boom, the firm has worked hard to change its image as a City firm. No particular sector now accounts for more than a quarter of its fee income, a situation the firm would like to maintain. Instead, it has developed its revennes by concentrating on four main areas: owner-managed businesses, public corporations, the financial services industry and corporate recovery and insolvency.

Now, far from being propelled forward only by the growth of the city, its fastest growing offices are all outside tbe south-east: Bristol is growing at more than 25 per cent a year, but apart from that the fastest expanding offices are in places such as Newcastle and Hull. That reflects the fact that the expansion of the economy is drifting gradually northwards.

"Properly done, nicbe marketing works," *comments Mr Bastin.* Five years ago, the firm set itself the target of being the largest accountants in the second division. It claims some powers of prophecy, saying it saw the current wave of mega-mergers coming, and, having decided not to compete in that arena, set itself the more modest target of being the largest outside the Big Foor or Five or Six. In effect, that meant overtaking other medium-sized rivals sucb as Grant Thornton and Binder Hamlyn.

That ambition, despite the bumps, has now been realised. in its place the firm now has to find another goal if it is not to drift aimlessly. In September it revealed that it was engaged in merger talks with Horwath and Horwath, another second-tier international practice. The talks came to nothing – "it's dead and buried," says Mr Bastin. But the fact thet they took place at all shows a certain degree of indecisiveness. Previously, the firm had been set against mergers and those exploratory talks having come to nothing, it is against them again now.

According to Mr Bastin, the firm aims to plan ahead on a three- to four-year timescale. Among the issues be says it has to address are the regulatory chances that are likely to permit multi-disciplinary firm and outside investors. He is suspicious of multi-disciplinary practices. "We are already multi-disciplinary, but I do not see the wisdom of takeovers. The culture of a legal firm makes it very difficult for it to work together with an accountancy firm."

"The culture of a legal firm makes it difficult for it to work with an accountancy firm"

Ontside investment, however, is very firmly on Spicer and Oppenheim's agenda. "It is an emotional issue but I think it will come," Mr Bastin says.

The firm sees two types of ontside investment; at the group level financial investment to fund further expansion and to provide capital; and at a subsidiary level, joint ventures with organisations that have particular skills the firm needs to tap.

The next decade is also likely to be a time of severe people shortages for the accounting firms – competition between firms, Mr Bastin suggests, is likely to be as hot for staff as it is for clients. Dealing with those issues successfully is the firm's next goal.

Matthew Lynn

Profile: CASSON BECKMAN

Pace-setting techniques

ALTHOUGH IT is a relatively small outfit, the West End firm of chartered accountants Casson Beckman has already attacked tbe problems of growth and size in e way that throws down a challenge to some of its mightier rivals.

The UK firm – located in just one office in Gower Street, over the road from the Capital Radio tower – generated a fee income of £10m in the latest 12 months. To the casual observer it would appear to be another run-of-the-mill medium-sized firm, earning a good living, but sparking little excitement outside its own office walls. Yet the firm is pioneering techniques of management that may in time prove to be setting the pace for controlling professional practices.

Casson Beckman was founded just after the Second World War by, predictably *enough, a Mr Casson* and a Mr Beckman. It established itself slowly and surely, but it has only been in the past few years that its growth began to accelerate beyond a walking pace. In 1987, its fee income was £5m – it has doubled in the space of three years.

That rate of growth has to be set against the backdrop of an overall expansion of demand for eccountancy services. All firms have experienced heady expansion as accountants have bolted on a variety of consulting services to their basic book checking skills. At the same time, the middle to late 1980s have witnessed a rapid expansion in the small, owner-managed business sector, fuelled by the trend towards management buy-outs (often resulting in a relatively small business) and in entrepreneurial start-ups.

As a result, firms such as Casson Beckman that zero in on the small, proprietorial company have been able to exploit a windfall expansion in their customer base.

According to Mr Peter Catto, marketing director for the firm, the practice has made a specialism of the owner-managed business, and has prospered by catering to what it perceives to be its needs. "We have a philosophy here that, although we offer all the services you would expect, our real role is to act as business advisers. We will present someone with ideas and opportunities that will help him to grow," he says.

Tony Andrews

John Pearce, chief executive of Casson Beckman: a manager, not an accountant

Although clients range from the very small to quoted companies, the backbone of the firm is the self-managed company with profits ranging up to £1m.

The marketing opportunity is clear – small companies may be expert in the own area bnt often need access to a wider range of business skills at relatively low cost. Auditors can position themselves as a convenient and relatively inexpensive source.

The strategy contains no gimmicks, yet on the basis of the rise in fee income (achieved without any significant mergers or acquisitions) it works. The rapid rate of growtb, however, imposes problems of its own. Once the firm starts to expand, there is a danger that the quality of the service and the personal attention that can be lavished on individual clients (the only significant marketing weapons a medium-sized practice has to compete with the big, international firms) will start to erode.

To tackle the problems of growth, Casson Beckman this year took the novel approach of appointing a chief executive to concentrate on the running of the firm and to work separately from the senior partner and the other partners who own the practice. The man chosen, Mr John Pearce, was, moreover, not an accountant himself.

"Over the past three years we have *taken* a *look* at the wey the firm is run and decided it is important to introduce professional *management*," says Mr Pearce. "There is e lot of good things about a partnership, but there are also weaknesses."

The key problem with traditional partnership management that the firm has identified is the muddling of people's tasks. Running a firm requires two skills: low-level organisational tasks concerning routine administration, and high-level strategic thinking. The former is too trivial to be allowed to consume the time of skilled experts; the latter is too important to be left for whatever few minutes a day partners can snatch in between dealing with clients.

In Mr Pearce's analysis a growing firm goes through three distinct phases. In the first phase of a small practice, the partners all know each other, and are aware of all the relevant information; strategy can then be set informally over lunch. In phase two, however, the expanding size of the firm means communications become stretched.

If the firm is growing slowly, or faces no significant choices, then no difficulties need arise. But if it is growing rapidly, then it can easily crash. Unless it moves to stage three, defined by Mr Pearce as where the development of *strategic* planning bas been devolved to managers who can concentrate full-time on the issues that the firm *needs* to tackle.

In essence, the plan involves transforming the structure of a professional firm so that it resembles a company, with the partners as the product that the business sells. Feathers can be ruffled by the situation – the chief executive has to set strategy for the partners who own the business. Yet, as Mr Pearce points out, the situation is little different from many small companies that are owned by a collection of working shareholders but run by one executive.

At Casson Beckman a three-point plan has emerged. It consists of deepening organic growth by targeting specific markets for attack; to add additional services onto its portfolio; and occasionally to acquire smaller partnerships. It is not startlingly original – many other accountancy firms will be trying to do the same things over the coming few years. Yet its newly designed management structure may enable the firm to implement its plans more successfully than its rivals. If it does, then its competitors will be quick to ape the techniques it bas developed.

Matthew Lynn

JOBS

Fresh light on how people go about work

By Michael Dixon

AT WHAT time, if ever, do you usually feel energetic and productive: in the day, at night, or sometimes one and sometimes the other? Moreover, if you wear a watch that you chose yourself, is it digital or the older type with hands?

While those questions may seem trivial, they could well be indicative of the jobs readers are best fitted for. Studies of over half a million people have shown that the times we feel energetic and the watches we prefer tend to reflect our fundamental ways of working.

The studies originated with physiological research on the brain culminating in the discovery for which the American Dr Roger Sperry was awarded a Nobel Prize eight years ago. He and his colleagues found that the left-hand and right-hand halves of the topmost part of the brain — which is far more developed in humans than in almost all other creatures — essentially have different functions.

In rough terms, the right half typically deals with complex things as wholes. Confronted with a complex of evidence, it builds the details into e rounded picture much as the eye takes in a landscape. The right side is thought to underpin artistic and other "synthesising" work such as engineering design and the like.

The left half's role is to break down the complex into various component parts and sort them into rational order. The left-hand side usually governs analytical, step-by-step activities as exemplified by mathmatics and writing grammatical prose.

Although that much may seem pretty clear cut, the implications for individuals' careers are the opposite.

One snag is that it is not easy for people to find out how their brains operate. Hitherto, the only method known to the Jobs column was to get yourself wired up to an electroencephalograph, or EEG, which displays the patterns of electrical activity going on between the ears.

Another complication is that, if you do find out, the result can be startling. For example, having written prose for a living for 30 years and being good at logical problems, I always assumed I was a left-brain operator. But as I reported on July 5, the EEG I was wired to showed that most of the activity was on the right.

What is more, even if you know your pattern, there remains the problem of what it might mean in practice. After discovering mine, I asked several psychologists and such about its likely meaning. Their responses were typified by the reply of Professor Hans Eysenck.

He said that, unless our brains were badly damaged, the two halves were closely connected and seemingly good at taking over the other's original functions. So which side was electrically the more active probably had little effect in everyday life.

Differences

Then out of the blue the other day, I heard about Ned Hermann who profoundly disagrees. A former chief of management education for the US General Electric group and now heading his own consultancy, he thinks that differences in the ways our brains operate strongly influence not only what work we are fitted for, but how we best learn. And he has developed a questionnaire to identify people's operating patterns.

Over the past dozen years it has been completed by well over half a million men and women, and has so far stood up to the statistical checks used to validate personality tests and so on. But the results have persuaded him that what influences our operations is not just whether we make more use of the left or of the right side of the top layer of our brain controlling cerebral activities like imagining and thinking. We are also influenced by the relative use we make of the left or the right of the more primeval lower brain, which controls different types of gut feelings.

Mr Hermann's scheme can be pictured by imagining yourself looking at your brain from behind, seeing it as a circular compass card. The top left, or north-west quadrant deals with step-by-step analytical thinking. The lower south-west section is responsible for a sense of proper order and tradition.

The top right, north-east quadrant handles visionary and otherwise innovative thinking. The south-east section below is responsible for emotions about other people, musical sensitivity and spiritual feelings.

He says their different effects on our working habits are best illustrated by the typical behaviour of people dominated by just one of the quadrants, even though his results show such people are rare. The great majority are governed by a combination of two, three or even all four.

North-west dominated folk work by applying logic to what they perceive as facts. Faced with a challenge, they calculate the chances of success and if they are too low, refuse to move. Otherwise, they figure out the most efficient method of tackling the task, tending to discount the importance of human feelings, boredom, fatigue, hankerings for beauty and so on. Indeed, they tend to avoid emotion altogether.

The south-west governed are also unemotional, logical and, in their view, factual. But whereas a north-west person's test of whether something is feasible is whether a formula can be devised for doing it, their test is simply whether it has been safely done before. Their prime urge is to keep what is going on under their control.

Natives of both those quadrants to the left of the north-south division tend to prefer digital watches and feel energetic in the day.

Of the two sets to the right of the division, the north-east dominated take their own original approach to everything. One drawback is that their proposals for action are often so visionary that their fellow humans cannot understand what they are on about. A second is that they tend to be too involved in what they themselves are doing to register other people's feelings. They feel energetic at night, and prefer watches with hands.

So do south-easterners, although their times of high energy are variable. They have no patience with logic or theory; experience is all that counts. They are acutely sensitive to other people's feelings and instantly aware of change in atmosphere and mood. But while practical in that way, they are the reverse when dealing with facts, goals, money and time.

As an ad-hoc test of Ned Hermann's brainchild, I and three FT colleagues have completed his questionnaire. Every one of us feels that the resulting profile is a fairly accurate reflection of the way we individually work.

In three cases, the patterns are much alike. They indicate that the trio are whole-brained in the sense that they use all four quadrants in balance, just as a good journalist should.

The other, who happens to be the Jobs column, is strong in the logical and fellow-feeling quadrants, and more so in the visionary north-east, albeit weak in the orderly south-west. But while, unlike my colleagues, I am only three-quarter-brained, that's better than being a half-wit at least.

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For further details please telephone or send your Curriculum Vitae in strict confidence to John Paddon.

INTERNATIONAL FINANCIAL RECRUITMENT CONSULTANTS

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This is an opportunity, created by the addition of new funds, to join a small team responsible for the management of a variety of portfolios with a total fixed interest content of around £½ billion invested in UK and international bonds. You will *work closely with the senior fixed interest fund* manager and it is envisaged that you will quickly assume day to day responsibility for managing some of the portfolios yourself.

Ideally you will have gained two-three years experience of multi-currency fixed-interest investment management, preferably with a US bias. Full consideration will be given, however, to candidates with a Sterling fund *management background who are interested in broadening* their experience. You must possess a good educational background preferably with a degree in an economics/numerate discipline. You are likely to be in your mid to late twenties.

The environment is quality orientated and the *atmosphere in the team is friendly* and constructive. A competitive salary and attractive benefits package is offered, including a Company car and generous mortgage subsidy. If you would like to be considered for this position, please write to:- **Michael Thompson at John Sears and Associates, 2 Queen Anne's Gate Buildings, *Dartmouth Street, London SW1H 9BP*** or *telephone him on 01-222 7733 for a preliminary discussion.*

John Sears and Associates
A MEMBER OF THE SMCL GROUP

BANKING

CREDIT ANALYST

Western Trust is part of the worldwide *ManuLife Group* and offers a wide range of banking and other financial services through its head office, branch network and financial intermediaries.

We are seeking an experienced credit analyst, to be based at our Plymouth Head Office, who will be required to provide analytical expertise in a growing banking operation.

Areas of responsibility will include:

- Account analysis for commercial lending exposures.
- Major exposure review procedures.
- Senior Management special project analysis.
- Treasury Review Analysis.

The successful applicant will be educated to degree level, have at least 2 years commercial banking risk analysis experience and be able to prepare and present papers for board level approval.

This position offers excellent career prospects and is an outstanding opportunity to participate in the development of the bank and its aggressive search for new marketing opportunities in the 1990's. The remuneration package, including relocation expenses and the usual finance sector benefits, will reflect the importance we attach to this position.

For further information, write to or telephone:

Janet Bald, Western Trust & Savings Ltd, The Moneycentre, Plymouth PL1 1SE. Tel (0752) 224141 Ext 2216.

Western Trust & Savings is an equal opportunities employer.

Western Trust
HEAD OFFICE: THE MONEYCENTRE, PLYMOUTH PL1 1SE

BRANCH AUDIT AND COMPLIANCE OFFICER

A vacancy has arisen in the London Branch of a substantial European Bank for an experienced professional to instigate thorough Audit procedures for a broad range of traditional and new Banking and Capital Market products and to implement an Audit Programme.

The successful applicant will be an International Banker with Internal Audit and Compliance experience and preferably an accounting qualification who will report direct to the Branch Manager.

The Bank is regulated by the T.S.A. and a comprehensive understanding of their requirements and the ability to ensure staff adherance to statutory obligations is mandatory.

This is an important decision in London Branch for a strong yet personable individual seeking stimulating career progression. The salary and benefits attracting to the position will reflect the importance the Bank attaches to this role.

Brian Durham Recruitment Services Ltd
64 London Wall, London EC2M 5TP
Telephone 01-628 4450

APPOINTMENTS ADVERTISING

Appears every Wednesday and Thursday

For further information call

01-873 3000

Nicholas Baker ext 3351

Deirdre McCarthy ext 4177

SYNDICATE MANAGER

£50,000 – 70,000 + Benefits

Our client, a leading international securities house, requires an experienced Syndicate Manager.

Interested applicants, probably aged around 30, should have at least five years' book running/syndicate experience in an active dealing room. The appointed individual will be responsible for raising the organisation's profile in new issues and should have had exposure to a wide range of capital markets transactions, particularly of warrant issues.

This represents an excellent opportunity for an ambitious professional to further his career in a developing, highly profitable company where rewards will be directly related to achievement, as is reflected in the attractive remuneration package.

For a confidential discussion please contact Christopher Lawless or Stuart Clifford on 01-831 9988 (or 01-874 9417 outside office hours), or write to The Bloomsbury Group, 11th Floor, New Oxford House, 137 High Holborn, London WC1V 6PL.

THE BLOOMSBURY GROUP

EXECUTIVE SEARCH & SELECTION CONSULTANTS

HAMBRO GUARDIAN

Marketing Manager

LIFE ASSURANCE

c. £30K + substantial bonus + car + benefits

Reporting to the Assistant General Manager (Marketing), the main responsibilities will include:-

- Tactical marketing support to tied-agents, including the financial services arm of the Hambro Countrywide estate agency chain.
- Central marketing support to the Direct Sales Force.
- *To take a leading role on new product developments for the company as a whole.*
- The production of corporate communications materials, both internal and external.

Hambro Guardian, a dynamic new UK Life company, commenced trading in October 1988. A *member of the Hambro Countrywide group and backed by Hambros plc, it is poised to* significantly expand its distribution through additional tied-agents and with the launch of a Direct Sales Force early io 1990.

This important new position needs to be filled in order to take over and further develop services currently provided from outside the company.

Applicants should ideally have at least five years' experience in marketing financial services, preferably life assurance. They must understand the need to balance the interests of agents and the company and be capable of maintaining healthy and productive relationships.

This position will be based in Brentwood, Essex and offers a real opportunity for the right candidate to contribute to the development of an innovative new UK financial services organisation.

If you are interested in exploring this significant opportunity, please write enclosing your CV, to:-

Mr. John D. Hunter, Assistant General Manager (Marketing),
Hambro Guardian Assurance, 41 Tower Hill, London EC3N 4HA.

Jonathan Wren Executive

FX - MONEY MARKET DEALERS/TRADERS
c.£50,000 + Benefits

We urgently require senior (age 27-40) dealers/traders with good track records in FX, money markets, or forwards.

Our European banking clients offer an exciting and rewarding challenge within growing dealing rooms.

For two positions good knowledge of French required.

Please contact Ron Bradley on 01-623 1266.

Jonathan Wren
Recruitment Consultants
No. 1 New Street, (off Bishopsgate), London EC2M 4TP
Telephone: 01-623 1266 Fax: 01-626 5258

SENIOR EXECUTIVE
DEVELOPMENT CAPITAL

Charterhouse Development Capital Limited provides development capital facilities and due to its continuing growth in the North of England, it requires to recruit a SENIOR EXECUTIVE. The suitable candidate is likely to be a qualified accountant or commercial lawyer aged early to mid 30s. However, candidates from other disciplines with commercial experience will be considered. First class interpersonal skills and an excellent knowledge of commercial law and taxation are desirable, and two to three years' relevant experience in industry, corporate finance, investigation work or development capital would be a significant advantage.

MANCHESTER

This is an excellent opportunity to join an expanding and successful team in Manchester. A competitive salary is offered and attractive banking benefits include non-contributory pension, private medical insurance, and mortgage assistance.

Please write with full personal and career details to A. G. Nellies, Director, Charterhouse Development Capital Limited, 55 Spring Gardens, Manchester M2 2BY.

CHARTERHOUSE
Potential Made Possible

BROKER OPPORTUNITES

We are one of the worlds leading energy broking companies, who are looking to further increase our market share. To facilitate this expansion we require two highly motivated individuals to fill the following positions:

1. Senior Energy Futures Broker

A sound knowledge of the energy/commodity futures markets gained by several years experience is essential, coupled with a highly motivated and experienced approach to futures trading and prospecting. This is an ideal opportunity to join opportunity to join/lead a new and expanding futures operation.

2. Trainee Crude Oil Broker

The successful applicant will be self-motivated, innovative, assertive and possess a willingness to join an already successful team of aggressive and professional brokers. A knowledge of the crude oil broking environment would be an advantage.

Interested parties should apply in writing, enclosing a c.v. to:
Box A1410, Financial Times,
One Southwark Bridge, London SE1 9HL

Major International Bank is seeking a

Treasury Manager and Chief Dealer

both positions To £100,000 + Packages and Cars

Our client, an already well established high profile organisation is putting together the final stages of a planned restructuring of its trading operation which will lead them to become a major force in the Foreign Exchange Market.

Applications are invited from candidates who are currently holding the position of Treasury Manager or Chief Dealer within a Foreign Exchange trading area in a Bank or Financial Institution. An indepth knowledge of major Currency Trading together with solid experience of Currency Options (OTC/Currency or Interest Rate) is essential.

For a confidential discussion please contact Anthony Marshall on 01-929 2853.

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No. 1, Royal Exchange Avenue, London EC3V 3LT.

Corporate Financial Services

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With the challenge of working in a fast moving world, with high earnings potential.

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OTE: £35K + Good Basic + Car + Benefits

The Company
A respected leader in corporate financial services backed by a major Banking Group, their record and growth rate are exceptional, due to their flexible and highly professional approach.

The Position
To play a vital role in the development of new business taking responsibility for key areas where a high profile is sought.

The Candidate
A self-motivated and assured individual preferably, ACA or ACIS qualified. Business awareness and negotiating skills are essential.

Backed by a comprehensive national marketing campaign this is an exciting opening for those with qualities to succeed in a demanding commercial role. An attractive bonus scheme means there's no limit to earnings.

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International bank requires an experienced corporate bankar to increase its business with madium sizad public and privataly owned companies in the U.K.

The candidate should have a proven record in aucceasfully markating a ranga of corporate banking products (including credit, traasury forex, LCS, etc) for this potential client base. In addition, ha ahould be a self-starter, highly motivated and able to managa his own activities in auch a way that he will meet the objectives aat for the position. An attractive remuneration package is offared, including tha uaual banking benefits.

Applicants should write, anclosing detailed CV to:
P O Box 4LS, London 4LS

European Equity Analyst

Schroder Investment Management Limited, the fund-management subsidiary of Schroders plc, are looking for an investment analyst to join their team of ten people covering European stockmarkets. The ideal candidate will be in his or her mid- to late-twenties and will already have some work-experience in industry, the professions or finance. Education to University degree level is essential as is the ability to participate in meetings in two European languages other than English. Candidates should be able to demonstrate analytical ability and should be familiar with company accounts and ratio analysis.

The successful candidate will be assigned a group of quoted European companies to analyse and follow and will be expected to travel regularly to European countries to visit these companies. It is anticipated that the successful candidate will be able to demonstrate sufficient judgment not only to contribute to the team's investment decisions and to convey these ideas to others at investment committee meetings, but also to take on fund-management responsibilities within one to two years.

A fully competitive salary is offered together with an attractive range of benefits including mortgage subsidy and a generous non-contributory pension scheme. Career prospects within the Schroder Group are excellent.

Applications in writing, with full curriculum vitae, should be sent to John R. Lambert, Director of Operations, Schroder Investment Management Limited, 36 Old Jewry, London EC2R 8BS.

Schroders

VWD-Vereinigte Wirtschaftsdienste GmbH ist eine deutsche Wirtschaftsnachrichtenagentur mit Sitz in Frankfurt.

VWD verbreitet über eigene Netze umfangreiches Nachrichtenmaterial für und über Banken, Broker, Industrie- und Dienstleistungs-, Kommunikations- und Handelsunternehmen, Verbände und Behörden. VWD gibt täglich zwei Dutzend Informationsdienste und eine Tageszeitung für den Außenhandel heraus. Mit real-time-Produkten warden alle Bereiche der Wirtschaft beliefert.

Für das englischsprachige Programm sucht VWD

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deren Muttersprache Englisch ist, die eine weitere Sprache beherrschen und auf deutsch kommunizieren können. Die Redakteure werden in der Frankfurter Zentrale bzw. in einem Büro von VWD in London, Paris, Mailand, Madrid, Skandinavien, New York, Tokio oder an anderen wichtigen Plätzen arbeiten und die Unternehmens- und Finanzberichterstattung pflegen.

VWD erwartet von diesen Redakteuren eine mehrjährige berufliche Erfahrung, insbesondere in einer Agentur. Die von VWD gebotenen finanziellen Vergütungen werden zufriedenstellend sein.

Telefonische (00 49-6196/405-200) oder schriftliche Kontaktaufnahme über das Sekretariat der Geschäftsleitung, die für Vertraulichkeit garantiert.

VWD-Vereinigte Wirtschaftsdienste GmbH
Niederurseler Allee 8-10, 6236 Eschborn 1, Tel. (06196) 4050

VWD

LONDON ECONOMICS

London Economics is one of the leading specialist economic consultancies in the UK. With 25 full-time staff and an international client list, we provide practical economic advice to major private sector clients, utilities and the public sector. Our activities cover energy, water, the environment, financial services, macroeconomic commentary, regulation and legal issues.

Recent rapid growth has led to the need for an

EXECUTIVE DIRECTOR

to work as part of our senior management team, and to take responsibility for overall financial direction, business development and internal organisation.

Applicants should have some familiarity with economics, as well as a strong background in finance and the development of administrative control systems. A proven ability to work with and help motivate a high-grade and predominately young team is vital.

We offer a competitive salary and opportunities to share in London Economics' profits. If taking a leading role in the future development of an already thriving consultancy sounds like you, please apply in writing, enclosing a cv, to

Nick Morris, Managing Director, London Economics,
91 New Cavendish Street, London W1M 7FS
Fax: (01) 436 2638, (01) 436 2991

Development Capital Specialist

Our client, one of the most prestigious banking names in the City, is looking for an entrepreneurially-minded, development capital specialist at equivalent to Assistant Director level to join a small but dynamic team of professionals.

The candidate will ideally be a graduate in his/her late 20's or early 30's, possessing a sound credit and general banking training from a leading financial institution, combined with approximately two years' front-line development or venture capital experience. An accountancy background or banking qualification will be an added advantage.

Candidates will be determined and tenacious self-starters with strong interpersonal skills. An analytical and enquiring mind is also essential, as the chosen person will be dealing with a wide range of relatively complex financing propositions, requiring imaginative investigation work.

The position provides a highly competitive salary and benefits package. Future career prospects for the right person both within the team and the bank as a whole are excellent.

For an informal discussion and further information, please telephone or write in absolute confidence to Neil Salt, quoting reference NAS 164.

Lloyd Chapman Associates

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Fax 01-753 0162

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CONSUMER / RETAIL * INSURANCE

Our client is a highly successful multi-billion dollar US Investment Manager with significant international business. Experienced analysts are required to join their established equity research team in London. The analysts will play an important role in the investment products delivered to clients worldwide, with an increasing emphasis on the UK and European client base.

Analysts will be responsible for companies across Europe within an industry sector. Although given a high level of autonomy, the philosophy of the firm emphasises the use of highly quantitative techniques and rigorous valuation models.

These positions offer the opportunity to travel throughout Europe visiting companies and maintaining a knowledge of the industrial sector. European languages, particularly French, German and Italian are a definite advantage. Each position is responsible for following one European economy and will specialise in the consumer/retail and insurance sectors.

Strong communication skills, initiative and the ability to work as part of a cosmopolitan team are vital. Suitable candidates will have between three and ten years' relevant experience.

Candidates will preferably be employed within the stockbroking or investment management communities in the UK or Europe. However, people with relevant experience from industry or banking will be considered. Salary, benefits and bonus will be highly competitive in line with those offered within the stockbroking sector.

Interested candidates should contact Stephen Windsor-Lewis on 01-248 3653 (or 627 3472 evenings/weekends) or write, sending a detailed CV to the address below. Or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

76, Watling Street, London EC4M 9BJ

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Tel: 01-248 3653

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Candidates should be graduates (or equivalent) in their mid to late 20's, with two years previous experience, working in the syndicated lending area of an established City institution. They must also be reliable, attentive to detail and able to cope with a varied workload.

In return you will receive a generous salary, in addition to all the usual banking benefits.

Interested candidates should contact Andrew Stewart on 01-248 3653 or write, sending a detailed CV to the address below or use our confidential fax line on 01-248 2814. All applications will be treated in the strictest confidence.

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BBM ASSOCIATES

Tel: 01-248 3653

CONSULTANTS IN RECRUITMENT

INTERNATIONAL APPOINTMENTS

The Walt Disney Company.

[illegible]

The Consumer Products Division of the Walt Disney Company has seen tremendous growth in the last 3 years, notably through the licensing of Disney characters for publications and consumer goods. This highly successful and profitable Division has achieved revenues of 130 million US $ in Europe alone with subsidiaries in 8 countries and licensing agreements across the continent. The time is now right to set up the internal audit function in the Paris based European headquarters for the numerous licenses, joint ventures and subsidiaries of the Division.

To succeed in this fast-moving environment, you will be a graduate in a financial discipline, qualified accountant or MBA, probably late twenties/early thirties with at least 5 years relevant experience. A knowledge of licensing/franchising control would be a distinct asset. Nationality is open and the ideal candidate will have the ability to speak two languages other than English. Candidates must demonstrate an assertive and independent personality, combined with first-class interpersonal skills. Resourceful and free to travel extensively, you will be part of a small professional team expected to make a significant contribution to the development of the Division and its continuing success.

In return, you will receive a highly attractive salary and benefits package, including relocation assistance. Career development prospects are also excellent with an international company that invests in only the highest-calibre individuals.

Please write in confidence with full CV to Organisation et Publicité, Réf. 6080 2, rue Marengo 75001 PARIS FRANCE. Fax 33-1-42 60 71 28

Private Bank Administration Manager

London SW1

Our client is a private U.K. bank which provides a comprehensive range of banking and financial management services both for individuals and pension funds.

We are seeking an Administration Manager who will report to the Board with regard to all aspects of pension fund administration. Successful candidates should be able to demonstrate their success in running a team, be able to expand a department and be computer literate. Experience in the pension industry would be an advantage but a similar background in insurance or banking could be relevant. The *role is probably suited to someone aged in their late thirties.*

A competitive salary and generous fringe benefits are offered. Candidates should send a résumé in total confidence to the consultants handling this appointment at the address below:

The Welbeck Group Limited

PANTON HOUSE, 25 HAYMARKET, LONDON SW1Y 4EN

INTERNATIONAL APPOINTMENTS

JOB OPPORTUNITY

Require Capable Managing Director for Garments Factory in UK with minimum experience 10-15 years in CMT (Cut, Make and Trim) having Master degree or Bachelor degree in Business Administration or Business Accounting. Age 40 or above. Please write with Bio-data to:

General Manager
P.O. Box 58965, Riyadh - 11515, Saudi Arabia
(Resume will be treated in confidence)

JOB OPPORTUNITY

Require capable Managing Director for Weaving Factory in UK with minimum experience 10-15 years, having Master degree in Business Administration or Business Accounting. Age not less than 40 years. Please write with Bio-data to:

General Manager
P.O. BOx 58965, Riyadh - 11515, Saudi Arabia
(Resume will be treated in confidence)

INTERNATIONAL APPOINTMENTS

International Financial Analysts

The Center for International Financial Analysis and Research (CIFAR), an independent research group headquartered in Princeton, New Jersey, has compiled an international companies financial database on 10,000 leading corporations worldwide. Current research projects involve global industry studies, review of international capital market trends and development of software to restate financial statements into one set of accounting standards worldwide.

Besides its offices in Princeton (USA) and Ahmedabad (India), CIFAR will be opening offices in Paris, Vienna, Osaka and Sao Paulo within the next six months. CIFAR would like to add 15 entry level professionals worldwide to the existing team of 25 colleagues drawn from many universities and countries.

Applicants should have a college degree in accounting or finance and be multilingual. Professional qualifications such as Chartered Accountant will be helpful. Those applicants completing their college education by June 1990 will be considered.

We offer state-of-the-art research resources, individualized training and a truly global working environment.

Those interested should forward a detailed letter and university transcripts to:

Dr. Vinod Bavishi
Executive Director
CIFAR, Inc.
601 Ewing Street, Suite C-16
Princeton, NJ 08540, USA.

Please clearly indicate which CIFAR office you are applying for.

Interviews will be scheduled in major cities around the world in January 1990.

CIFAR

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Dr M G Salameh,
Spring Croft, Sturt Avenue,
Haslemere, Surrey
GU27 3SJ, England
Telephone: (0428) 4137
Fax: (0428) 56262

COMPANY NOTICES

De Beers Consolidated Mines Limited

(Incorporated in the Republic of South Africa)
Company Registration No. 11/00007/06

NOTICE OF DIVIDENDS DECLARED ON PREFERENCE SHARES

DECLARATION OF DIVIDEND NO. 161 ON THE 40 PER CENT CUMULATIVE PREFERENCE SHARES OF R5.00 EACH

Dividend No. 161 of one Rand (R1.00) per share in respect of the six months ending 31st December 1989, has been declared payable to the holders of the 40 per cent cumulative preference shares registered in the books of the Company at the close of business on 29th December 1989, and to persons presenting coupon No. 161 detached from the preference share warrants to bearer. A notice regarding payment of dividends on coupon No. 161 detached from share warrants to bearer will be published in the press by the London Secretaries of the Company on or about 22nd December 1989.

DECLARATION OF DIVIDEND NO.29 ON THE 8 PER CENT CUMULATIVE SECOND PREFERENCE SHARES OF R1.00 EACH

Dividend No. 29 of 4 cents per share in respect of the six months ending 31st December 1989, has been declared payable to the holders of the 8 per cent cumulative second preference shares registered in the books of the Company at the close of business on 29th December 1989.

For the purpose of these dividends the preference share transfer registers and registers of members will be closed from 30th December 1989 to 12th January 1990, both days inclusive, and warrants will be posted from the Johannesburg and United Kingdom transfer offices on or about 6th February 1989. Registered shareholders paid by tha United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on 2nd January 1990, less appropriate taxes. Any such shareholders may, however, elect to be paid in South African currency, provided that the request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 29th December 1989.

The effective rate of non-resident shareholders' tax is 13.50 per cent.

The dividends are payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Johannesburg and the United Kingdom.

By order of the board
H. J. CRANKSHAW
Secretary

Transfer Secretaries:
Consolidated Share Registrars Limited
First Floor, Edura
40 Commissioner Street
Johannesburg 2001
(PO Box 61051
Marshalltown 2107)

Barclays Registrars Limited
6 Greencoat Place
London SW1P 1PL

Head Office:
36 Stockdale Street
Kimberley 8301

London Office:
40 Holborn Viaduct
London EC1P 1AJ

28th November 1989

De Beers
De Beers Consolidated Mines Limited

Notice to Holders

NOTICE IS HEREBY GIVEN that, with effect from 1st April, 1990, The Royal Bank of Canada AG, Frankfurt/Main, will resign as Sub-Paying Agent on the following issue:

Credit for Exports PLC
U.S. $165,000,000
Unsecured Floating Rate Notes
due 1985 to 1992

Presentations of Coupons and Notes can be made at the offices of the other paying agents named on the respective Coupons and Notes, or to the Principal Paying Agent at the address below.

Royal Bank of Canada Europe Limited
71 Queen Victoria Street,
London EC4V 4DE
Telephone: 01-489 1188
Telex: 8811937
Facsimile: 01-329 6142

THE ROYAL BANK OF CANADA

U.S. $350,000,000 Floating Rate Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 30th November, 1989 to 29th December, 1989 has been fixed at 8½% per annum. On 29th December, 1989 interest of U.S. $6.847222 per U.S. $1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 29th December, 1989 will be determined on 27th December, 1989.

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

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LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No 8282 of 1989
CHANCERY DIVISION
IN THE MATTER OF EXPRESS NEWSPAPERS p.l.c. and
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 13th November 1989 confirming the reduction of the amount standing to the credit of the Share Premium Account of the above-named Company by £92,707,349 was registered by the Registrar of companies on 17th November 1989.

DATED this 27th day of November 1989
Theodore Goddard
16 St. Martin's-le-Grand
London EC1A 4EJ
Solicitors for the above-named Company

INTERNATIONAL PROPERTY

FOR SALE

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ACCOUNTANCY COLUMN

Clash over how far auditors' liability goes

By Richard Fleck

FEW WOULD question the importance of the statutory audit as a means of ensuring that shareholders in a public limited company, together with many others, receive reliable financial information. Indeed, Lord Justice Bingham, in delivering the principle judgment of the Court of Appeal in Caparo Industries plc v Dickman (1989) 2 WLR 316, described an auditor's role as being "without close analogy."

Nevertheless, he concluded that an auditor's duty of care in law, and therefore potential liability in tort, extended to the company's shareholders, but did not extend to potential investors in the company.

Such a restrictive approach to the scope of auditors' potential liability, which has just been the subject of argument on appeal to the House of Lords, *reflects* the *long-held* concern of the courts over the increased exposure of the professional to negligence actions. A much quoted expression is that such exposure represents "a liability in an indeterminate amount, for an indeterminate time and to an indeterminate class."

The decision in Caparo comes at a time when claims in the UK against professionals and particularly against *auditors are increasing. That has been* attributed to a period of judicial expansion of the law of negligence, the increasing complexity of commercial matters and a general readiness to litigate.

The trend has raised concerns about the availability of professional indemnity insurance and, therefore, the cost, and possibly the quality, of audit services. Those concerns led the Government to set up a fact-finding team under the auspices of Professor Andrew Likierman of the London Business School.

The Likierman Report, which was published last month, focused on the position in the auditing, building services and surveying professions.

However, although there is a common concern and recognition of the importance of the issues raised, it appears that the courts and the Government are embarking on significantly different paths in their attempts to deal with the matter.

The courts' response has been to limit the scope of the legal duty of care owed to third parties.

In order for there to be a legal duty of care, the courts have held that three elements must be present: fore*seeability; proximity; and that it must* be just and equitable to impose a duty of care.

For many years that familiar set of requirements has allowed an expansion in the duty of care owed by professionals, including auditors — in J. E. B. Fasteners Limited v Marks Bloom (1981) 3 All ER 289, for example, an auditor was held to owe a duty of care to a third party who pur*chased the company in reliance upon* the audit opinion.

More recently, a restrictive approach has taken hold, beginning with the Privy Council decision in Yuen Kun Yen v Attorney General of Hong Kong (1987) 3 WLR 776 and culminating (so far as the accounting profession is concerned) in the decision of the Court of Appeal in Caparo.

The effect has been to emphasise the need for "proximity" — ie, a close and direct relationship between the auditor and the third party relying on the auditor's work — before a duty of care will be found to exist. Given that emphasis, it has been possible for the courts to find that no duty of care was owed by auditors to potential investors (Caparo) or to the company's creditors (Al Saudi Banque v Clarke Pixley (1989) 3 All ER 361).

By contrast, the Government has favoured the cause of a wide duty of care and Mr John Redwood, Minister for Corporate Affairs, has said that the Government is concerned not to "limit legal redress in the rare cases of poor audits."

In making that statement, the minister rejected a recommendation in the Likierman Report that Section 310 *of the Companies Act, 1985, should* be amended to permit auditors to limit their liability to a given amount. However, three other recommendations in tha Likierman Report may give rise to legislative change in the future — albeit at some indeterminate time in the future!

The first concerns the principle of joint and several liability, by which each one of any number of responsi*ble wrongdoers will be liable for the* full amount of any resulting loss, regardless of their relative degrees of fault or responsibility.

The theoretical remedy of contribution proceedings frequently proves illusory, because other wrongdoers may not have the necessary financial resources or because of difficulties of proof. The Government is considering asking the Law Commission to examine a possible change in the operation of that principle, although it is correctly appreciated that any change would have far reaching consequences.

The second concerns a related point, namely that the law should be clarified to allow (and possibly encourage) companies to purchase insurance for their directors and officers.

The third concerns those cases where the auditor may be able to show that the plaintiff has, through his own negligence, contributed to the loss suffered. The Likierman Report recommends that there be legislative change to make clear (to the extent the courts have not already made clear) that such contributory negligence by a plaintiff may reduce his *award of damages, irrespective of* whether the case is brought in contract or tort.

The House of Lords, when it gives judgment on the appeal in Caparo, will not consider any of those issues, constrained as it is by both precedent and principle. The House of Lords is likely to confirm the basic approach of the Court of Appeal and limit the auditors' duty to only a few classes of *interested persons.*

In doing so, it would confirm an approach that does not reflect commercial reality — many in the business and financial community do rely on a company's accounts both directly and indirectly.

To the accounting profession, that may seem to be a relief; but that relief will be short-lived, as such a decision will still not avoid the risk to the profession of very large claims.

If the House of Lords reaches such a decision, then the Government will be in clear conflict with the courts — the Government in taking the position that auditors should continue to face unlimited liability to any interested claimant; the courts, concerned at the implication of such indeterminate liability, in taking a restrictive view.

The only solution that would balance those conflicting views would be to permit an auditor to agree a reasonable limit to his liability with each company he audits.

Such a reform would "put *the audit* contract on the same footing as other contracts," and it would also offer the best prospect of achieving, through bilateral negotiations, fair and reasonable *limits to exposure* (and, in turn, the cost of indemnity insurance).

Moreover, consistent with the Government's stated objectives, it would permit legal redress for a wide range of users of financial reports and be consistent with the indisputable reality of commercial life that there are many groups, beyond the company's shareholders, that have genuine and legitimate interests in the reliability *of published financial information.*

Finally, such a reform would have the benefit of meeting the profession's concerns and provide a means of limiting the auditor's exposure to claims that are presently indeterminate, uninsurable and therefore unmanageable.

The author is a partner in Herbert Smith.

ACCOUNTANCY APPOINTMENTS

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Reporting to and deputising for the Group Financial Controller this role is key to the production of information for the Group Board and Shareholders.

Managing and motivating a small team of staff you will be responsible for:

- Group and statutory accounting
- Relationships with external advisers—Bankers, Auditors, Tax specialists etc
- Liaising with Finance Directors throughout the Group to ensure an efficient flow of information
- Enhancement of Head Office finance systems and controls.

To succeed in this demanding environment you will need to combine good technical, communication and motivation skills, with the flexibility to be able to respond to the wide variety of pressures involved in a rapid growth environment.

Previous experience within a multi-currency environment and a good working knowledge of PC based systems are considered essential.

Individuals interested in this position should in the first instance write to Karen Wilson at FMS, 14 Cork Street, London W1X 1PF, enclosing a recent CV and a note of their current salary.

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Financial Controller

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Our client is one of the largest divisions of a substantial PLC which provides a specialised range of services to industry and the consumer.

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ACCOUNTANTS

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We seek two professionally qualified Accountants to join our start-up team, reporting to the Financial Director. Aged 28-35, you will have experience gained in a large or medium-sized organisation. Experience of, or interest in, the problems of rapid growth will be essential.

MANAGEMENT ACCOUNTANT

You will set up all management accounting operations, adapting policies and procedures to our needs and building and developing a small team to provide a pro-active and constructive information service for management. Reference 5297.

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You will prepare statutory accounts, provide the interface with auditors, compile the fixed asset register, and provide liaison with project management. Reference 5298.

Career prospects are exceptional within an organisation whose expansion plans are truly remarkable.
Please contact Brian Davies on 01-436 7671, or write to him at Stafford Long & Partners Recruitment Limited, 17/19 Foley Street, London W1P 7LH, quoting the appropriate reference number.

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The successful candidate will be a qualified accountant, aged 28-35, with broad commercial experience. A practical and mature approach to business issues and the enthusiasm and ability to contribute to a small and highly committed team are essential prerequisites. A hands-on approach and excellent interpersonal skills are also desirable.

Progression within this prestigious organisation will only be limited by personal ability.

Interested applicants should telephone Giles Daubeney on 01-437 0464 or write to him, enclosing a detailed CV, at the address below.

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A personable, enthusiastic executive with a well-developed sense of communicative skills is sought.

Please send your curriculum vitae, including current salary and daytime telephone number, quoting reference N1009 to Michael Ping, Grant Thornton Management Consultants, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP.

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For fuller details, write to John Courtis FCA at JC&P, 104 Marylebone Lane, London W1M 5FU demonstrating your relevance clearly, including CV and salary data and quoting 7220/FT.

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Search and Selection

Senior Finance Officer

Our Client is a very large engineering and construction group undertaking multi-million pound projects. They will shortly have a vacancy for a senior member *of staff with high technical skills in* accountancy and finance.

The post is in South East England and encompasses responsibility for all the usual finance activities associated with the management of a large project. These include leading a dedicated team dealing with financial accounting, management accounting, cash management, taxation and payroll. Annual turnover is in the region of £500m.

The successful candidate should be capable of operating at the highest levels of the Company. He/She should preferably be accustomed to working within the terms and conditions of a major engineering and construction project. The position requires an experienced professional, with good organisational skills. *Knowledge of French would be* useful but is not essential. The post offers an attractive salary with a generous range of benefits, including a fully expensed executive car, assistance with relocation and the normal pension and sick pay schemes.

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Applicants will be experienced qualified accountants who have managed a finance function in an organisation experiencing rapid change and can demonstrate sound commercial acumen. The appointee will be a confident, strong personality with presence and the ability to operate effectively in leading an intellectually challenging and creative team of professionals.

Please write in confidence, enclosing full career details, to Anne Routledge, quoting reference 2879.

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The scope of this position will provide involvement in commercial decisions and the opportunity to make a positive contribution to the development of the business. Career *prospects are excellent.*

Our preferred candidates will be qualified accountants, aged 26-33, with management accounting experience in industry or commerce. Strong analytical skills and the ability to interface effectively at a senior level will be essential.

To apply, or to know more, please write in confidence to Sue Rossiter, enclosing a CV and current salary details. Alternatively please telephone her on 0628 75956.
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Eligible candidates will be qualified CIMA or equivalent with a strong background of experience in the installation and development of manufacturing costing systems. A degree of mobility is necessary although the *base will be located in Surrey.*

Applications with full CV under ref: A026 to **Mrs J.S. Tucker**, Mervyn Hughes International Ltd., Management Recruitment *Consultants*, 63 Mansell Street, London E1 8AN. Tel: 01-488 4114. Fax: 01-480 7622.

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Together with the General Manager, you will be jointly responsible for the management of the Branch office and for all commercial, administrative and financial matters. In particular, you will be responsible for financial and management accounting activities, preparation of audits and monthly and yearly financial forecasts, statements and reports.

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You will be a qualified accountant of *around 30 years of age, preferably* a graduate, and you will probably be in either a divisional finance role or a major line role in a blue chip organisation at present. You will have a commercial outlook and possess first class analytical and communication abilities.

For this position you should possess data processing implementation and development skills and it is taken as read that your capabilities on technical accounting matters, including overseas accounting, are excellent. It would be assumed that within 2-3 years the *person appointed would move into a* senior line role within the group.

Résumés please, to include a daytime telephone number and an indication of *present salary, to John Elliott,* Coopers & Lybrand Executive Resourcing Limited, 43 Temple Row, Birmingham B2 5JT, quoting reference JE173.

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Please write, in confidence, sending full career and current remuneration details to Bernadette Laffey quoting reference 3360/4.

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Financial Controller

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Reporting to the Divisional Controller, your initial task will be to facilitate greater autonomy and accountability by restructuring the current business into distinct operating units. This will involve revamping the current management information systems.

Other responsibilities will include the preparation of monthly management reports, production and review of budgets and forecasts, capital appraisals and pre-acquisition investigations as the expansion programme begins to take effect.

You will be a mature individual aged 30+, a professionally qualified accountant from a hands-on manufacturing background and possess an assertive, self-confident, entrepreneurial nature, as success in this role will lead to further opportunities within the group in financial or general management.

Interested candidates should write, enclosing a comprehensive curriculum vitae, to
David Greenwell at Michael Page Finance, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

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Reporting to the Director of Finance you will be responsible for the development and running of the department. Key tasks will include the production of sophisticated management information, financial performance analyses, strategic and operational plans for the practice and special projects.

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**Contact the Manager: 148 High Street
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Financial Controller

(Director Designate)

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Please write in complete confidence enclosing career details to Charles Davenport quoting reference CED/2790.

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Tel: 0245-252610.

ARJO-MECANAIDS
arjo

NEWLY/RECENTLY QUALIFIED—

GLOUCESTERSHIRE **c£18,000+BENEFITS**

Arjo Mecanaids Ltd, a successful wholly-owned subsidiary of Malmros International AB, are seeking to recruit a newly or recently qualified Accountant. The company, whose sophisticated product is also exported worldwide, specialize in the manufacture and assembly of patient handling and bathing systems.

This excellent opportunity provides an ideal opening for the first step into industry for candidates who, with proven track records to date, seek further career advance and commercial challenge.

For further information contact:
Accountancy Personnel,
Ground Floor,
37 St. Georges Road,
Cheltenham,
Gloucestershire GL50 3DU.
Tel: 0242-226227.

Accountancy Personnel
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A HAYS PERSONNEL SERVICES LIMITED COMPANY

BUSINESS SERVICES MANAGERS

London

To £35,000 +Benefits

The Business Services Group of a major international firm of Chartered Accountants seeks to recruit two commercially orientated managers. Many of the group's clients are run by entrepreneurs without the support of a Finance Director. They therefore look to the group for a comprehensive range of financial and general business advice.

Candidates will be qualified accountants with relevant sector experience gained within the profession and/or industrial/ commercial experience. Business advisory skills are as important as technical expertise.

There will be every opportunity for career progression within the medium term.

Please contact **D. E. Shribman** for further information or write to him at the address below.

HUDSON SHRIBMAN
VERNON HSE-SICILIAN AVE-LONDON WC1A 2QH-TEL: 01-831 2323
FINANCIAL RECRUITMENT

GROUP FINANCIAL CONTROLLER

c.£30k + Car + Benefits

National Car Parks Limited, a private limited company with diverse business interests, is seeking to recruit a Financial Controller, who will be responsible to the Director of Finance and Administration for all accounting functions.

The successful candidate will be a computer literate chartered accountant with post qualification experience outside the profession, preferably in service industries; will possess good interpersonal skills and will be used to managing people.

The remuneration package includes an executive car and the other benefits expected of a major employer, and the company has its main offices in the West End of London.

Applicants should send a comprehensive CV including details of their current remuneration package to:

R W Leese
Personnel Manager
National Car Parks Limited
21 Bryanston Street

NCP

Finance Director

Cheshire — £30,000 + Car

Our client is ao autonomous £12 millioo turnover subsidiary of a major U.K. plc, providing a specialist cootracting service to a wide range of fast moving businesses. They are a loog established company and have built a strong reputatioo based on high quality products.

They now seek to appoint a Fioance Director who, reporting to the Managiog Director, will assume full responsibility for finance, administration and informadon technology. Particular emphasis will be placed on the design aod implementatioo of new computerised finaocial cootrol systems. As a member of the executive team, the individual will be expected to make a significant contributioo to the commercial direction of the business.

The successful candidate, aged 27-35, will be ambitious, highly motivated and able to demonstrate a track record of achievement gained in a commercial environment. Computer literacy, from PCs to mainframe systems, and well developed personal skills are vital in order for the individoal to meet the challenge of this exciting opportunity.

Interested applicaor should write enclosing a comprehensive CV, quoting reference 653, to Alan Dickinson ACMA at Michael Page Finance, Executive Division, Clarendoo House, 81 Mosley Street, Manchester M2 3LQ.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Wickes
Operational Review
c£25,000 + Car

Wickes Plc is one of Europe's largest sellers of timber, building materials and associated home improvement products and services. In recent years they have shown record profits and the group is continuing a major store expansion programme to sustain their growth both in the UK and Europe.

You will join a small corporate team, based in Harrow, and be responsible for the review and evaluation of the operating systems of UK subsidiaries. Reporting to the European Audit Manager, your objective will be to strengthen management controls and to identify additional profit opportunities. The position is seen very much as a stepping stone, and you will be encouraged to assume a more senior role within the organisation in the next eighteen months.

The successful candidate is likely to be a recently qualified ACA, preferably from a large international firm. The position demands a committed individual, self-motivated and ambitious, with a strong sense of initiative and commercial acumen – this opportunity requires a team player as well as a self-starter.

If you feel you have the ability and drive to succeed in a dynamic and commercial environment please telephone Tina Shortman on (0753) 856151, or write to her at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.

Michael Page Finance
International Recruitment Consultants
London Bristol Windsor St Albans Leatherhead Birmingham Nottingham
Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

FINANCIAL MANAGER — ZAMBIA

The ITM Group, which has a variety of companies in sub-Saharan Africa seeks a qualifiad and experienced accountant who will report directly to tha Regional Group President responsibla for the Group'a manufacturing, agriculturel and distribution activities in that area. He/She will be expected to travel frequantly within tha area.

The appointee will be responsible inter alia for the *financial supervision of tha Group's subsidiaries, financial* analysis of thair presant and future activities, regional Group consolidation, negotiation of bank facilities and tax planning.

Candidates should have at least 10 years post qualification axperience and have oparated for part of this tima at top management leval. Working experience in Africa will be advantageous.

Tha initial employment contract will be for 2 years and is renawabla by mutual agreement. An axecutive house with swimming pool, a company car and a range of fringe benefits are provided. A generous remuneration package will be negotiated with the successful applicant.

Plaase reply enclosing a full C.V. to:-

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- A strong staff management skill.
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If you do and you are also a qualified accountant aged between 25 to 35, you are invited to apply to the high profiled MANAGEMENT ACCOUNTANT position. You can expect to join a progressive Company which richly *rewards individual* performance and achievements. Candidates currently earning less than £25,000 p.a. will not be considered as having the necessary experience.

Send your CV today to:

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01-948 0666.

GROUP FINANCIAL CONTROLLER

Sustain our growth, influence our development

£50,000 + — ***London***

Assets in excess of £1.25 billion, thirty UK and four overseas locations, a sustained growth record and an expanding sphere of influence – just a few indications of the quality of our client's profile in the financial services sector.

The post of Financial Controller for this Group will demand that you adopt a participatory role in the Group finance function, working closely with the heads of finance of the Group's diverse operating companies. Your top-level financial and management skills will guide the development of co-ordinated financial strategies and influence the structure of the Group as a whole.

Reporting to the Group Finance Director, your primary responsibilities will be the co-ordination of the finance function throughout the Group, the provision of consolidated financial information, financial control of the central Group function, and Group taxation planning and compliance.

A qualified Accountant, you will have at least *ten years' financial* accounting experience and are probably at Group Controller level within a smaller organisation at the moment. A background of significant financial experience at a senior level in a similarly-sized Group would also be suitable. Familiarity with the insurance sector would be an advantage, but not essential.

This is a unique opportunity to use your management, technical and organisational skills to guide the further achievements of the Group. For the right individual, this challenge will provide a remuneration package in excess of £50,000, dependent on experience and qualifications, together with superb executive benefits.

In the first instance, please write, including career details, to The Confidential Reply Supervisor, Ref. 7221, Kingsbourne Advertising, Kingsbourne House, 229-231 High Holborn, London WC1V 7DA, clearly indicating the names of any organisations to whom your application should not be sent.

KINGSBOURNE
ADVERTISING

PROVIDENCE CAPITOL INTERNATIONAL LIMITED
INVESTMENT ACCOUNTANT
- Guernsey

THE COMPANY

Providence Capitol Ioternational Limited specialises in providing Investment Plans to British expatriates worlwide. The company, based in Guernsey, is part of a Group whose worldwide assets run into several billion pounds. Its parent company is the South African Mutual life Assurance, the largest life assurance company in South Africa.

THE POSITION

We are seeking to employ an Investment Accountant with responsibility for all investment controls, ranging from agreement of the investment accounts to the underlying securities and fund pricing records, to the control of monies transferred to and from policy holders. This is a new position created by the growth of the company and increasing sophisticatioo of investment activities. The position has clearly defined promotion propects.

THE PERSON

It is envisaged that the successful applicant will be aged between 23 - 30 years, with minimum of 3 years accounting experience. Prior investment experience is less important than good basic accounting skills. Full professional accounting qualification would be a distinct advantage, but applications are invited from partially qualifiec candidate. Maturity and reliability with a methodical, well organised approach to work are essential.

THE BENEFITS

An excellent commencing salary will be offered to the successful candidate, together with a range of benefits normally associated with a large company.

For full details please contact, in the strictest confidence, Mrs. Ann Brooks, Providence Capitol International Limited, PO Box 121, Rohais, St. Peter Port, Guernsey. Tel: 0481 726726

EUROPEAN FINANCIAL CONTROLLER

c.£40,000
+ substantial bonus and prestige car

The Midlands

With sales and marketing operations already established throughout Europe, this highly successful electronic component division of a major US Multinational is now setting up a UK manufacturing base to further support their European expansion.

This has created a new position for a strategically thinking financial controller aged under 45 who, while playing a key role in the company's *development, will still be prepared to adopt* a hands on approach. Reporting to the European Vice-President, and working with the local country controllers, strong communication and presentation skills will be essential, as will commercial awareness gained in a quarterly driven multinational.

The opportunity for further career development is excellent and an extremely attractive salary and benefits package is being offered which includes relocation to an attractive part of The Midlands. To discuss further, please telephone Tony Williams on 01-629 8677 until 8pm daily or send your C.V. marked for his personal attention.

BUCKINGHAM ASSOCIATES
Foley House, 12a Maddox St., London W1R 9PL. 01-629 8677

MANAGEMENT RECRUITMENT SPECIALISTS.

YOUNG QUALIFIED ACCOUNTANT

The opportunity to join a major investment management firm.

This is an opportunity for a qualified accountant with 1-3 years' post qualification experience to join one of the UK's leading investment management firms. You will report to the Managing Director and your primary function will be to ensure that all the firm's activities are conducted within the regulatory procedures laid down by the Financial Services Act. This will entail the identification of control weaknesses in the investment operation and the establishment of appropriate solutions.

Although familiarity with investment management practice would be an advantage, more important are well developed interpersonal and communication skills, supervisory capabilities and an alert, logical and resolute approach. The position is viewed as a developmental one and has arisen through the promotion of the present jobholder who will be available for advice during the early stages of your tenure.

A competitive salary and benefits package is offered as well as a wide range of future career development options within this diverse group. If you would like to discuss this position in greater detail, please telephone **Michael Thompson on 01-222 7733** or write to him at:– **John Sears and Associates, Executive Recruitment Consultants, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

John Sears and Associates
A MEMBER OF THE SMCL GROUP

Group Tax Manager

ATTRACTIVE PACKAGE, WEST COUNTRY

Wessex Water is a profitable, growing business which is emerging as one of the West Country's most substantial public companies, having a turnover in excess of £130 million. With headquarters in Bristol, it operates within a large economic region that is generally prosperous and provides water services to more than 2 million people in domestic, industrial and commercial premises. Future plans include the development of this core business and expansion into new areas of commercial activity. The new environment offers a significant challenge for the tax function.

Reporting to the Director of Finance, you will be responsible for all tax related matters arising within the Group. Key activities will include tax planning, compliance and accounting, in addition to the coordination of tax advice from professional advisors.

A qualified accountant or member of the Institute of Taxation, you will have a minimum of three years tax experience gained within a large commercial organisation or as a specialist manager in the profession and will be able to demonstrate a record of practical achievement. You will posses a broad knowledge of your subject, including VAT and PAYE, to the level of identifying *areas requiring specialist input. On the* personal side, you must be determined to take responsibility and use initiative in this important role.

The package includes a competitive salary, bonus, company car and relocation assistance if appropriate.

Please send CV's, including a daytime telephone number and indication of present remuneration, to Janice Walden, Ref JW456, Coopers & Lybrand Executive Resourcing Limited, 66 Queen Square, Bristol BS1 4JP.

Executive Resourcing — Coopers & Lybrand

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Cost and Performance Analysis for our nationwide logistics operation for the 1990's.

c.£32K + Car + Relocation Expenses, Employee Share Scheme and other large company benefits

management accountant

Based Swindon, Wiltshire.

With a distribution fleet of 600 vehicles and a nationwide network of 30 warehouses, British Telecom is squaring up to the challenge of developing the most cost-efficient, end-to-end distribution operation for 1990's.

A key role in this mission will be played by the Logistics Division's **Cost & Performance Analysis Manager**, preferably an ACMA-qualified Accountant with at least 3 years' post-qualification experience and an impressive 'hands-on' track record of achievement in industry, ideally manufacturing or distribution.

The central strand of your brief will be to develop and use an activity based costing system for cost control and continuous performance improvement. This is a new development which will give you the opportunity to assemble a top quality team to support you.

You will have a major influence on BT's performance, which is why you'll need to be a persuasive communicator with an agile intellect and have the ability to identify relevant data for modelling the business. Using the latest concepts and techniques you will advise line managers of opportunities for cost and performance improvements in the context of the business need to ensure the delivery of materials and products to the point of end-use, quickly, efficiently and cost-effectively.

Can you deliver? Does such a responsibility attract you? Do you have the interpersonal skills to forge strong working relationships with operational managers? If so you can expect a rewarding future, not only in the shape of salary and large company benefits, but also in terms of the scope for achievement and the prospects for further career development within BT. An added bonus is the lifestyle offered by the Wiltshire Countryside around our Swindon base. A relocation package is available if appropriate.

Please write with your CV to Ann Murray, British Telecom, UK Logistics, Room 7NA, Weston House, 246 High Holborn, London WC1V 7DQ. Fax: 01-831 6420.

For more information about the post please ring Ron Marshall, Financial Controller, on 01-728 3765. Please quote ref. F54.

British TELECOM

British Telecom is an Equal Opportunity Employer

City Solicitors

HEAD OF FINANCE

c£65,000 + car

Highly respected, long established and progressive, our client is a fast growing firm with over 50 partners and an enviable portfolio of national and international clients.

As a key member of the management team, the Head of Finance will be responsible to the managing partners for all areas of finance and IT. Emphasis will be on the optimisation of management information and cash resources and providing strategic advice on financial planning and control, taxation and further IT development.

Preferably aged 35/45, applicants should be qualified accountants with extensive IT experience who can demonstrate success in a similar role in a service industry. Knowledge of Partnership Accounts and the Legal Profession, although not essential, will be a distinct advantage. Diplomacy, an ability to obtain results and strong, yet sensitive, communication skills are vital. Status will be equivalent to partnership level and a flexible package will be negotiated.

Please write, enclosing a full career/salary history and daytime telephone number, to David Tod BSc FCA quoting reference D/885/F.

FINANCIAL CONTROLLER

Abingdon c£30,000 + Car

The Lansdown Estates Group owns and manages Milton Park, a major business estate close to the A34 and M4. As well as the usual activities associated with property management and development, the Group has two subsidiary distribution and storage businesses providing services to third parties. Lansdown is a substantial and profitable business within the MEPC plc Group and the Directors are actively pursuing new opportunities for expansion. It is a lively, entrepreneurial company.

This appointment will head up an established accounting function using PC based systems.

There is a need to enhance financial reporting and the Controller will be a key member of the small management team.

The appointment offers a young accountant the opportunity to contribute on a broad front, including advising on acquisitions and the development of new services.

Candidates must be qualified and computer literate. Although property related experience will be useful, commercial acumen and a confident personality are essential. Long term prospects within the Group are excellent.

To apply, please send a CV to David Webb, quoting ref: NJB/2.

KPMG Peat Marwick McLintock

Executive Selection and Search

Abbots House, Abbey Street, Reading, Berkshire RG1 3BD

ADVANCED MICRO DEVICES (UK) LTD

Financial Controller – Northern Europe

Woking, Surrey c£35,000 + Car + Bens.

Advanced Micro Devices, Inc, a $1.1 billion California based company is the world's largest exclusive manufacturer of integrated circuits. AMD operates in all the world's major electronics markets.

An exceptional opportunity has arisen for a Financial Controller to assume total responsibility for the financial reporting, customer and business support activities of the UK and Scandinavian operations.

As a key member of a high calibre management team, responsibilities will include:

* Accounting control and financial analysis
* Policy formulation and business advice to sales management
* Continued design, implementation and management of information and corporate control systems
* Controlling credit and cash management, providing tax liaison advice and performing treasury and banking functions
* Staff guidance, training and measurement of productivity performance.

The successful candidate will be a qualified accountant and/or MBA, aged 30-35 with several years' experience in the Hi-Tech sector, ideally in a US reporting role. Essential personal qualities will include strong interpersonal skills, a high level of commercial acumen, strength of character, drive and ambition. International career development opportunities within this organisation are excellent.

Interested applicants should submit their CV's to Sajid Baloch, MBA, Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG or telephone (0372) 375661.

MP Michael Page Finance

International Recruitment Consultants

Director Finance and Administration

London c £32,500+bonus+car

Our client is the International Operations of a Canadian Group involved in the merchandising side of the entertainment industry.

With a current turnover in excess of £18 million, the International Operations organisation requires a new Director of Finance and Administration. This position is a key member of the senior management team, and reports directly to the Vice President in charge of International Operations.

The successful candidate must be an experienced qualified accountant, and will have prime responsibility for all financial and administrative affairs including: counsel and advice on strategic and operational plans for international operations; co-ordinating and preparing financial reporting for the international operations; and planning, directing and controlling the financial and administrative systems for the international operations.

Ideally aged 30 - 35, the remuneration will include a performance related bonus, a car and other benefits.

If you believe you have the interest and the qualifications to meet this exciting opportunity, please send your CV and a covering letter (including day-time telephone number), quoting ref: ST126 to: J. David Preston

ROBSON RHODES

Chartered Accountants

Management Consultancy Division

186 City Road, London EC1V 2NU

S.G.WARBURG & CO. LTD.

CORPORATE FINANCE

We are seeking graduate ACA's with the potential to make a significant contribution to our expanding domestic and international corporate finance business.

The ideal candidates will have passed PEI & II at the first attempt and should either be newly qualified or have some post-qualification experience within the profession. Corporate finance experience and/or fluency in a foreign language, although not essential, would be an advantage.

Self-motivation, effective communication skills and an ability to assume responsibility quickly in a stimulating environment are important.

Career prospects, both in the UK and overseas, are excellent and the position offers a competitive salary, together with incentives and a full range of banking benefits.

Applications, enclosing a curriculum vitae, which will be treated in strict confidence, should be sent to:—

Mrs. A.J. Sprules, Director, S.G.Warburg Group Management Ltd., 2 Finsbury Avenue, London EC2M 2PA.

Business Development Manager

Europe

South East · c. £40k Negotiable

As a market leader in the building products manufacturing sector, our client is keen to expand its activities in Europe through acquisition.

Reporting to the Corporate Development Manager, it will be your responsibility to identify suitable target companies which satisfy the criteria and strategic requirements agreed by the Board. The job will involve a highly pro-active approach, requiring at least 50% of the time being spent abroad, mainly in France, Germany and Spain. It is essential therefore, that you are fluent in a second European language.

Apart from identifying, researching, approaching and maintaining contact with target companies, you will liaise with bankers and other professional advisers in the UK and on the Continent with the objective of initiating and participating in purchase negotiations.

You are probably a graduate, perhaps an MBA, working in a Business Development or Corporate Finance department in a large company, merchant banking/stockbroking or professional environment.

In addition, you will need to demonstrate initiative, diplomacy persistence and an ability to work on your own. This is a high-profile position in a dynamic organisation which offers considerable career potential within the Group.

The salary is negotiable but the package includes a quality car, stock option scheme and other attractive benefits.

Please write, in strict confidence, enclosing CV giving present salary and with details showing your relevance to this position, to Colin J. Hooker FCA, quoting ref: 477.

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A.C.A. Merchant Banking

£27-30,000 + Benefits

Top UK Merchant Bank with offices based around the world seeks a Qualified Accountant with two years post qualification experience in the financial services industry. Working in a small team and reporting to the Divisional Controller duties will include:-

- *Maintaining and developing new executive information systems*
- Producing divisional management accounts
- Examining the development of performance measurement techniques within divisions
- Development of methods for divisional results analysis

In addition to the A.C.A. qualification the successful candidate will have a sound academic record together with proven analytical and communication skills and excellent systems knowledge. This is an excellent opportunity for a young, career orientated individual to work at junior management level and develop within one of tha most respected forces in the City.

For further information please telephone or send your CV to Valerie Grassham or Tony Leggett at Joslin Rowe Associates (Financial Recruitment Consultants), Bell Court House, 11 Blomfield Street, London EC2M 7AY. Tel: 01-588 7287. Fax: 01-382 9417.

JOSLIN ROWE Accountancy

LILLESHALL plc — GROUP ACCOUNTANT

NEWBURY, BERKSHIRE.

Age 24-28 To £22,000

Plus car, bonus and other benefits

Lilleshall plc is a rapidly expanding quoted holding company with subsidiaries in industrial distribution and building and engineering products.

Lilleshall is now seeking a Group Accountant to report to the Group Financial Controller. Responsibilities will include financial reporting, management accounting and budgetary control. Other vital work will include the evaluation of target companies and the integration within the Group of successful acquisitions.

Candidates, male or female, will be recently qualified chartered accountants. This is an ideal opportunity for a young; ambitious individual, making their first move outside the profession, to make a broad contribution to the successful management team in a growth orientated environment. Opportunities will exist for promotion within the Group including a line role in an operating subsidiary.

Please send full curriculum vitae to Stephen Rowland, Group Financial Controller, Lilleshall plc, Old Drummers House, 18 Northcroft Lane, NEWBURY, Berkshire RG13 1BU

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